EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,305

Friday November 16 1990

D 8523A

PARIS SUMMIT

Laying foundations of Europe's new order

Page 20

World News

Arab states accuse Iraq of summit sabotage

Egypt and Syria accused Iraq of scuttling an emergency Arab League summit to stave off war in the Gulf by setting impossible conditions on its attendance.

Strong criticism by President Mubarak of Egypt and Syria's President Hafez al-Assad appeared aimed at exerting further pressure on Baghdad at a critical moment in the Gulf crisis. Gulf reports, Page 4; Editorial Comment, Page 18

Unity row erupts

A fierce row over financing German unity erupted as economic planners in Bonn issued a stern warning of the risks of rising budget deficits. Page 20

Softer line on aid

Japan may give Y2bn ($15.4m) to help victims of the Chernobyl disaster, in a move that could signal an easing of its policy of denying aid to the Soviet Union. Page 2

Israeli clampdown

Israel confined one million Palestinians to their homes in the occupied territories in a bid to stop them celebrating the anniversary of their independence declaration. Fury is last refuge, Page 4

Food ration vote

Leningrad's radical city council voted to introduce food rationing, but only during December, as supplies could not yet be guaranteed for 1991. Page 2

Red faces at UN

Charges of racism and cronyism over the selection of a UN official in charge of aid for 15m refugees worldwide sparked bitter controversy and embarrassment at the UN. Page 4

Liberia 'bombed'

Nigerian jets from the West African task force bombed Liberia's rebel-held port of Buchanan, killing several people and destroying an American relief ship, rebels said. Wiping the slate clean, Page 4

Yugoslav warning

Yugoslavia's prime minister warned that if his economic and political reforms were not implemented by all the republics, the country would slide into dictatorship. Page 3

Coalition fails

West Berlin's Greens angrily withdrew from the city's coalition government in protest against Wednesday's massive police eviction of squatters from more than 100 east Berlin buildings. Page 2

Two-year gun plot

The 38-year-old unemployed man who fired two shots during a Revolution Day parade in Red Square last week had been planning to kill President Gorbachev for more than two years, the Soviet news agency Tass said.

Pilot error theory

Pilot error may have caused an Italian airliner to crash into a hillside near Zurich airport, killing all 46 people on board, an airport spokesman said.

Threat to Rocard

French conservatives and communists vowed to join forces against a new tax bill and topple the minority administration of prime minister Rocard in a no-confidence resolution.

Italy begins probe

Italy launched an inquiry into a secret guerrilla group, code-named Gladio, which might have been involved in a wave of terrorism which swept Italy between 1969 and 1984.

Beaujolais uncorked

Bottles of Beaujolais Nouveau popped open in France and around the world as this year's production of the fruity red wine was released to rave reviews from its producers.

Business Summary

Volvo blames restructuring for surprise $35m loss

Volvo, Swedish vehicle group and Scandinavia's largest private company, reported an unexpected loss of SKr193m ($35m) for the first nine months of 1990, against a profit of SKr6.17bn a year ago. However, the company's chief executive officer, Mr Christer Zetterberg, said Volvo had provided SKr2.45bn for the cost of its restructuring programme in the third-quarter figures. Page 21

NEWS CORPORATION suffered a 31.3 per cent net profit fall from $A37.6m to $A25.9m in the first quarter, mainly because of costs of Sky Television, its UK satellite venture. Page 21

WELLCOME, UK *pharmaceutical* company, share price fell 15 per cent yesterday after announcing annual results well below market expectations. Page 21; Lex, Page 20

DAIMLER-BENZ, German vehicle, electronics, and aerospace group, announced a 4 per cent rise in net profits to DM1.82bn ($880m) for the first nine months. Page 25

UK unemployment showed its biggest monthly rise to over 1.7m for over four years, indicating that the UK economy is in a recession. Analysis and Lex, Page 20.

BURTON, UK retailing company, chairman and chief executive, Sir Ralph Halpern, has retired with a £2m ($3.9m) pay-off and a £456,000-a-year pension. Page 21; Lex, Page 20

EASTERN Airlines, loss-making US carrier operating under the protection of the bankruptcy courts, has survived an attempt to force it into liquidation. Page 24

GERMANY is so preoccupied with internal affairs that it is neglecting the consequences for the world economy of the decline in the dollar, Mr Pierre Bérégovoy, France's finance minister, claimed. Page 20

SIDERMEX, Mexico's state-owned steel company, is for sale with European and Japanese steel producers as the leading contenders. Page 24

ERICSSON, Swedish telecommunications equipment group, announced that pre-tax profits for the first nine months of 1990 rose 39 per cent to SKr3.2bn ($579m). Page 22

HONDA *Motor*, Japanese carmaker, reported a 35.7 per cent increase in consolidated interim pre-tax profits to Y86.7bn ($677m), due largely to favourable exchange rate movements. Page 25

AIR FRANCE, French national airline, is to make a sweeping reorganisation of its flight programme. Page 22

BELGIUM'S largest insurance company, Groupe AG, and Amev, third largest Dutch insurer, are to consummate formally their merger next month. Page 22

NICARAGUA plans to increase government spending in 1991 by 22 per cent to $499m but faces a fiscal deficit of $150m. Page 6

MERCEDES-BENZ, German motor maker, signed an accord to produce its buses in the Soviet Union, in a deal worth DM250m ($169m). Page 7

WESTPAC Banking Corporation, Australian financial services group, recorded a 14.6 per cent fall in net earnings to A$683.9m ($534m) from A$800.7m in the year to September. Page 25

SALOMON Brothers, US investment bank, will launch convertible bond issues for two Japanese companies early next year after receiving provisional approval from Japan's Ministry of Finance. Page 28

SAN MIGUEL, Philippines' largest industrial company, reported a sharp fall in third-quarter net income. Page 25

Drexel accused of 'systematically plundering' S&Ls

By Nikki Tait in New York

DREXEL Burnham Lambert, the US investment bank which went into bankruptcy earlier this year, was accused yesterday of "systematically plundering" savings and loans institutions.

Drexel now faces claims of more than $11bn filed on behalf of S&Ls which bought high-risk junk bonds from the controversial bank and later got into financial difficulties.

The claims are based on allegations that Drexel – particularly its Beverly Hills-based high yield department run by Mr Michael Milken – contributed to the collapse of the US savings and loan industry by persuading these institutions to invest in unsuitably risky "junk bonds". The bailout of the S&L industry could cost American taxpayers $500bn over the next decade.

The largest claims against Drexel, totalling about $6.8bn, have come from the Federal Deposit Insurance Corporation, which insures deposits with US savings institutions, and the Resolution Trust Corporation, which is overseeing the S&L bailout.

The FDIC and RTC filing claims that "Drexel and those acting in concert and conspiracy with it have wilfully, deliberately and systematically plundered the S&Ls." They accuse the bank of "market manipulation, threats, bribes, agreements to control prices, and numerous fraudulent misrepresentations about the value and liquidity of junk bonds".

"At the same time", the submission continues, "this group of predators knowingly attempted to and did monopolise the nationwide junk bond market or markets." Also detailed are allegations of "fraudulent transactions" between Drexel and the S&Ls, allowing the latter to artificially inflate profits; illegal "stock parking" transactions, designed to disguise true ownership of securities; and pay-offs "to those willing to allow their institutions to be used as part of the scheme".

The filing also points to the "enormous profits" made by the bank and some of its employees, partly through lucrative employee partnerships which invested in many of Drexel's junk bond issues.

The claims, which had to be filed with the Manhattan bankruptcy court by yesterday, are likely to lead to a tough legal battle as Drexel attempts to distance itself from the S&L debacle.

Yesterday, it said that the claims underscored the fact that it was being made "a convenient scapegoat for the S&L crisis", and that regulators were "attempting to deflect their own responsibility.

"Regardless of the numbers of zeros," the bank said it would "vigorously defend" the claims.

One reason why the claims are so large is because they involve alleged offences under anti-trust or Racketeer-Influenced and Corrupt Organisations (Rico) statutes, under which damages are automatically trebled.

As the deadline for claims loomed yesterday, last minute additions were still being made.

Separately from the FDIC claim, the California-based Columbia Savings & Loan, which has been declared insolvent but is not under the control of the Federal regulators, has also filed a claim for more than $4.5bn. This is based on realised junk bond losses of $200,000 plus $1.3bn of unrealised losses – again trebled. Columbia was one of the largest purchasers of junk bonds from Mr Milken's department.

Although particularly large, these are only part of a mass of claims which had been received by yesterday's deadline.

Court officials said filings had been pouring in by the sackful. A further hearing in the bankruptcy case was scheduled for yesterday afternoon, with the FDIC's lawyers due to seek an extension of the timetable to allow them to complete their investigation.

'Keating Five' face hearing, Page 6

Gorbachev urged to sack his government or resign

By Leyla Boulton in Moscow

PRESIDENT Mikhail Gorbachev should dissolve his government and replace it with a coalition of national unity, a group of prominent Soviet intellectuals urged yesterday.

Soviet president Mikhail Gorbachev: urged by perestroika supporters to dissolve his government and replace it with a coalition of national unity

On the eve of a crucial debate on the crisis in the Soviet Union, prominent supporters of perestroika warned the Soviet leader that a "tragedy" was imminent unless he acted quickly to stem growing economic and political chaos in the country.

"We appeal to the president... either use your powers to take decisive measures or resign," wrote the group of 22 intellectuals who include Mr Yuri Afanasyev, the radical historian, and respected economists such as Mr Oleg Bogomolov. Their warning letter was published in the latest issue of Moscow News.

They demanded that Mr Gorbachev dissolve the cabinet of Mr Nikolai Ryzhkov, prime minister, as "a first step" and bring in representatives of all Soviet republics and political views.

The Soviet leader is due today to address the Supreme Soviet and leaders of the 15 Soviet republics after the national parliament refused on Tuesday to pass any more legislation until they discussed the crisis nationwide. He has also been asked to report on weekend talks with Mr Boris Yeltsin, the Russian president.

Although Mr Gorbachev told Mr Yeltsin on Sunday that he supported the principle of a coalition government, it was not clear how he would react today. His popularity has plummeted in recent weeks and he needs some political gesture to protect his position.

The group of leading academics also urged Mr Gorbachev to recognise unconditionally the sovereignty of Soviet republics to resolve the acute constitutional crisis facing the 73-year-old state.

To help resolve the food shortages which are the bane of almost every Soviet citizen's life, they advised a swift transfer of land to peasants and the distribution of food stocks built up in case of war.

In a reference to growing popular disenchantment with perestroika, the letter said: "People brought up on clear-cut ideological and political schemes are on the verge of a nervous breakdown as they face unusual complexities."

The warning came immediately on the heels of a stormy session on Wednesday with representatives of the armed forces, who at one point shouted down Mr Gorbachev and accused politicians of leading the country to the brink of civil war.

In a classic example of the confusion throughout the country, Russian deputies on Wednesday night decreed that a Soviet government decision to free the prices of non-essential goods was not valid until they ratified it.

Many state-run shops and restaurants in Moscow responded to the conflicting orders yesterday by simply closing their doors.

Meanwhile, the Soviet government overruled a decision by its own railway ministry to charge passengers hard currency for foreign travel. Leningrad city council decided to introduce food rationing for only one month because they could not guarantee further food supplies, while Moscow city councillors demanded price rises instead of rationing.

Food price chaos, Page 2

Powers ready to sign conventional weapons accord

By David White, Defence Correspondent, in London

THE widest-ranging disarmament agreement ever became a certainty yesterday when negotiators at the Conventional Armed Forces in Europe (CFE) talks in Vienna overcame the last remaining difficulties.

The text in English of a treaty limiting the heavy land weapons, helicopters and aircraft that the 22 Nato and Warsaw Pact countries deploy in Europe was sent to national capitals.

After translation into five other languages, the treaty is due to be initialled in Vienna on Sunday in time for heads of state and government to sign it in Paris on Monday when they are due to take part in the summit of the 34-nation Conference on Security and Co-operation in Europe.

However, a potential obstacle to US Senate ratification of the treaty has arisen over the transfer of Soviet arms outside the treaty area.

In recent months, some 20,000 Soviet tanks and thousands of armoured vehicles, artillery pieces and aircraft that would have had to be scrapped or converted under the treaty have been shipped from Europe to the east of the Ural mountains.

The draft treaty covers only the area from the Atlantic the the Urals. Moscow has said 8,000 of the tanks it has moved will replace older equipment in the country's Asian districts and the rest destroyed or converted.

Nato would hope to verify that this was done. But under the treaty Moscow would be under no legal obligation to allow such inspections.

In total some 63,000 heavy land weapons and aircraft on both sides would be scrapped or rendered unusable for military purposes under the treaty, with limits also set on gunship helicopters.

Nato's holdings have increased with the incorporation of equipment fielded by the former East Germany but most of this is to be scrapped since it is incompatible with existing Nato weaponry. Leaving these weapons aside, the main cut in Nato arms would be a 15 per cent reduction in tank numbers.

The treaty, which provides for short-notice inspections, is due to be fully implemented within 40 months of ratification.

Verification procedures agreed in Vienna are described as going "some way beyond" those of the 1987 Intermediate Nuclear Forces Treaty between the US and the Soviet Union.

Negotiations, of a scope unmatched by previous multilateral arms talks, have been completed within two years since a mandate for the talks was first agreed. The treaty covers all the categories the two alliances sought to include, except manpower, which will be the subject of further negotiations in Vienna.

Aircraft and helicopters, which Nato was initially reluctant to negotiate, are also included.

US wants Brazil loans delayed because of worry over arrears

By Stephen Fidler in London and Christina Lamb in Rio de Janeiro

THE US is pressing for delays in granting Brazil World Bank and Inter-American Development Bank (IADB) loans because of its worries about growth in Brazil's arrears on interest payments to foreign creditors.

Its concerns, understood to be supported by other industrialised countries including Japan and Germany, have already resulted in the deferral of some loans by the boards of the World Bank and IADB.

About $2.2bn in new loans are to be considered by the two institutions for Brazil by next March and the US is taking the position that there is a danger of their not being repaid if the arrears problem gets further out of control.

Two loans totalling just *under $500m, for science* research and training and to aid privatisation through the state development bank, are expected to be submitted soon for approval by the World Bank's board.

Brazil's arrears to foreign creditors total $11bn or more, all but $2.5bn of which is owed to international banks.

The US position, which has been explained to the Brazilian government, is likely to further strengthen the hand of international banks led by Citicorp in their attempts to persuade Brazil to pay some interest to banks before negotiations start in earnest over a broad restructuring of the country's foreign bank debt.

There have over the past week been signs of a more flexible approach to the issue from Brasilia.

President Fernando Collor held separate meetings yesterday with Ms Zelia Cardoso, economy minister, and Mr Jorio Dauster, the chief debt negotiator, to discuss a new proposal in which Brazil will agree to pay some of the out*standing $8bn arrears.*

If he gives the go-ahead, Mr Dauster will fly to New York to present it to the banks on Monday.

The disbursement of the first part of a $2bn standby loan has already been held up by the International Monetary Fund pending "substantive progress" in the talks with the banks. This is being taken to mean, among other things, that Brazil should make some commitments to banks over the interest arrears and future interest payments.

The US is said also to be concerned about Brazilian legislation, prohibiting the payment of arrears before a renegotiation of the entire debt has been achieved, which would make an agreement with banks all but impossible.

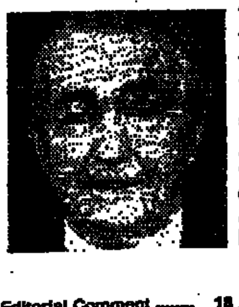
Brazilian officials have dropped their earlier insistence on this point. On Tuesday, Mr Dauster dined with leading Brazilian senators to win their support for the new stance. However, some senators are unhappy about the change.

While not seeking a confrontation with Brazil, whose economic programme it has strongly supported, the US administration has also expressed doubts about the basis on which the Brazilians have calculated their future ability to pay their foreign debts, based on its public sec-

Continued on Page 20

CONTENTS

Yugoslav premier gives warning of total disintegration



Yugoslav prime minister Ante Markovic (left) warned that if his economic and political reforms were not implemented by all the republics, the country would disintegrate completely or slide into dictatorship.

Page 3

MARKETS

STERLING
New York:
$1.9605 (1.96)
London:
$1.9815 (1.9645)
DM2.8875 (2.9075)
FFr9.735 (9.7775)
SFr2.445 (2.46)
Y254.25 (254.5)
£ Index 93.7 (93.9)

GOLD
New York: Comex Dec
$378.5 (387.0)
London:
$384.25 (383.25)

N SEA OIL (Argus)
Brent Dec
$32.125 (32.95)

Chief price changes yesterday: Page 21

DOLLAR
Tokyo open: Y129.2
New York:
DM1.4728 (1.47905)
FFr4.9685 (4.9745)
SFr1.2472 (1.2515)
Y129.03 (129.6)
London:
DM1.4715 (1.48)
FFr4.9625 (4.9775)
SFr1.246 (1.2525)
Y129.6 (129.55)
$ Index 60.1 (same)
Tokyo close:

US lunchtime rates
Fed Funds $8\frac{1}{8}$% ($7\frac{5}{8}$)
3-mo Treasury Bills:
yield: 7.28% (7.25)
Long Bond:
$102\frac{17}{32}$ ($102\frac{5}{16}$)
yield: 8.5% (8.53)

STOCK INDICES
FT-SE 100:
2,046.0 (−10.0)
FT Ordinary:
1,583.2 (−10.4)
FT-A All-Share:
986.82 (−0.5%)
FT-A World Index:
130.28 (0.0%)
New York:
DJ Ind. Av.
2,559.65 (+24.25)
S&P Comp
320.4 (+2.73)
Tokyo: Nikkei
23,937.44 (+36.23)

LONDON MONEY
3-month interbank:
closing $13\frac{7}{8}$% ($13\frac{3}{4}$)
Liffe long gilt future:
$83\frac{3}{8}$ ($84\frac{1}{16}$)

EDF cheap power deal stokes subsidy row

By William Dawkins in Paris

THE French state electricity board, Electricité de France (EDF), is to supply power at preferential rates to a controversial polyester plant to be built in the north-eastern region of Lorraine.

EDF will supply power at well below domestic rates during off-peak periods to the plant, to be built by Allied Signal, the US engineering and motor components group, and take a small stake in the $160m (£81.6m) project.

While this is in line with what EDF offers all its big industrial greenfield investors, the terms are likely to fuel the protests of four big European fibre producers, who have complained that other French state subsidies for the plant could jeopardise thousands of jobs in nearby fibre factories.

These other subsidies, around 20 per cent of the project cost, have been approved by the European Commission, but the other producers, Hoechst of Germany, Akzo of the Netherlands, ICI of Britain and Snia of Italy, fear it will only worsen overcapacity.

EDF will charge Allied Signal from 7 centimes (0.7p) per kilowatt hour, in the slack summer periods, up to 53 centimes in the winter, the aim being to encourage the plant to use more when demand is low. This is a very wide band around the 40 centimes daytime rate for the average domestic user. The plant, due to open in 1993, will absorb around a tenth of the capacity of a medium-sized French power station.

This is the latest in a series of innovative EDF contracts designed to entice big industrial users to absorb a surplus of cheap nuclear power created by an over-ambitious reactor building programme over the past decade.

EDF's landmark deal with a big user was its agreement to take a stake last year in an aluminium smelter built by Pechiney in Dunkirk, though the terms under which Pechiney receives cheaper power were toughened on the insistence of the EC competition authorities.

Berlin coalition splits over protest

By Leslie Colitt in Berlin

WEST BERLIN'S Greens angrily withdrew from the city's coalition government with the Social Democrats (SPD) yesterday, in protest against Wednesday's massive police eviction of squatters

The break up of the nearly 18-month-old red-green alliance by the Alternative List (AL), as the Berlin Greens are known, was largely symbolic as Berlin will elect its first united parliament since 1946 on December 2.

Ms Renate Künast, the AL parliamentary whip, attacked remarks by Mr Walter Momper, the SPD Mayor of west Berlin, who had accused the squatters of aiming to kill policemen. She said that the AL had never expressed solidarity with violence, a frequent charge against the party. Mr Momper called the AL withdrawal a "flight from responsibility" and insisted that the SPD's election prospects in Berlin remained good.

Political analysts said that the SPD was unlikely to gain an absolute majority in parliament and would probably seek a Grand Coalition with the Christian Democrats (CDU). AL delegates at a meeting on Wednesday night voted overwhelmingly against continuing the coalition, arguing that the "brutal" eviction of hundreds of squatters marked the end of a common political line with the SPD.

More than 160 people were injured, most of them policemen, when squatters hurled fuel bombs, flares and bricks at police who responded with tear gas and water cannon.

Renate Künast criticises the evictions of Berlin squatters

Japan to consider Soviet aid

By Stefan Wagstyl in Tokyo

JAPAN is considering giving Y2bn ($15.4m) to help victims of the Chernobyl disaster, in a move that may signal an easing of its policy of denying aid to the Soviet Union.

Tokyo has long refused assistance to Moscow while its territorial dispute over four islands off northern Japan remains unresolved. The islands were seized by the Russians at the end of the Second World War. Japan repeated its position most recently at the Houston summit of leading industrialised countries. It has strayed from this line in the past only once – a Y1bn grant for victims of the 1988 Armenian earthquake.

However, the Chernobyl aid plan could be a sign that Tokyo is preparing to soften its attitude before President Mikhail Gorbachev's visit to Japan next year. Hopes are high in Tokyo that Mr Gorbachev may bring with him proposals to solve the territorial row.

The Japanese move also comes amid heightened international concern about shortages of food and medical supplies in the Soviet Union. The US plans to supply emergency aid to Moscow, even though it, like Japan, has opposed ideas for economic assistance for the Soviet Union put forward by European countries.

The Japanese Foreign Ministry yesterday sought to play down the significance of the Chernobyl aid plan, saying the government had not dropped its opposition to economic assistance.

The ministry said the Y2bn would be provided as emergency humanitarian aid given in response to a World Health Organisation request. WHO this month called on industrialised countries to increase aid for Chernobyl victims.

David Marsh in Bonn adds: Germany has promised the Soviet Union it will maintain food shipments to meet the risk of a crisis in food supplies, Chancellor Helmut Kohl said yesterday.

In a speech to the Bundestag about his recent meetings with President Gorbachev and Mr Tadeusz Mazowiecki, the Polish prime minister, Mr Kohl said that Germany would step up efforts to persuade western partners of the need to aid Moscow. He said he made the pledge on food supplies when he met Mr Gorbachev in Bonn last week.

Mr Oskar Lafontaine, the Social Democratic party's candidate for the chancellorship in the coming general election, used the debate to urge the government to press forward with arms cuts. Now the Cold War was over, Germany should abandon the project to build the European Fighter Aircraft and cancel other armaments programmes, he said.

Michelis condemns Iraqi hostage mission

MR GIANNI De Michelis, the Italian foreign minister, has said the Italian government cannot condone the private mission by Mr Amintore Fanfani to Baghdad, writes **John Wyles in Rome.**

Mr De Michelis was attempting to correct the impression given by other Italian ministers that the government did not oppose the visit of Mr Fanfani, the 82-year-old former prime minister.

Mr De Michelis was reported yesterday as saying that Italy's six-month tenure of the presidency of the European Community's council of ministers meant that it was bound to discourage any initiative by Mr Fanfani to secure the release of 300 Italian hostages. EC leaders agreed in Rome last month that they would send no official missions to Iraq and discourage private ones.

Romanians turn against government

By Ariane Genillard in Brasov, Romania

MORE than 20,000 workers in Brasov yesterday demonstrated against the National Salvation Front government, demanding an improved standard of living and calling for the resignation of President Ion Iliescu.

The workers, many of whom voted for the ruling National Salvation Front in last May's general election, accused the government of failing to provide adequate social protection measures before liberalising prices.

On November 1, prices increased by between 100 and 120 per cent for many "non-essential" goods. But parliament is still debating laws on unemployment benefits, collective bargaining and wage policy.

Faced with surging costs of living and rapidly deteriorating factory conditions, workers are increasing their resistance to government attempts to transform the stultified Romanian economy into a free market.

"The situation is, in fact, worse today than in 1987 and people feel that the government is guilty for this," explained Mr Stefan Munteanu, general manager of Autocamioane Brasov.

Bundesbank urged to cool it over Emu

By David Buchan in Brussels

THE Bundesbank should abandon its over-perfectionist attitude to economic and monetary union (Emu), and let a single European Community currency take over from the D-Mark the burden of being the currency of reference for the whole of Europe.

Such was the thrust of yesterday's speech delivered by Mr Martin Bangemann, the senior German in the 17-person European Commission, to a gathering of German insurance brokers in Essen.

He reminded the Bundesbank that while the planned EuroFed central bank would clearly place the same priority on price stability as it did, the Bundesbank's own statutes also expressly gave importance to growth and jobs.

Several EC states, particularly in southern Europe, want the EuroFed to take similar goals into account.

Many EC governments have also baulked at Germany's insistence that monetary union would require some binding controls on the extent to which individual states can run budget deficits.

One of Germany's suggestions has been that other states might like to imitate its golden rule that supposedly limits the deficit to the amount of public capital expenditure in any one year.

Mr Bangemann noted that this rule had been broken by the costs of German unity, without any great cries of horror.

Finally, the German commissioner, a member of Chancellor Helmut Kohl's cabinet until he was made EC industry commissioner in 1989, suggested that Germany in general, and the Bundesbank in particular, should be grateful if they were relieved by Emu of the "major economic and political risks" of running Europe's currency of reference.

In the past year, Mr Bangemann seems to have seen his main task as ensuring EC support for German unity; he now appears to have opened a campaign for German backing for Community unity.

Caviar off the menu as food price chaos reigns in Russia

By Leyla Boulton in Moscow

LENINGRAD'S radical city council decided yesterday to introduce food rationing, but only during December, as supplies could not yet be guaranteed for 1991.

Rations of basic foodstuffs will be sold at state prices from December 1, when all other foodstuffs are to shift to market prices.

Moscow City Council meanwhile continued to stall on whether to ration food for the winter, as many councillors favoured raising prices and subsidising the poor instead.

"People think that if we issue ration cards they will be able to secure basic goods, but nothing of the sort will happen," argued one councillor. "All it will mean is that some people will get the rationed goods on the black market while others will get bones."

A decision on whether to start privatising Moscow's shops and restaurants was also put off. It was not immediately clear when either issue would be reconsidered.

Meanwhile, chaos prevailed in consumer goods shops across the Russian Federation, the Soviet Union's largest republic, after the Russian parliament declared null and void this week's Kremlin decision to free the prices of so-called luxury goods.

The Moscow city council yesterday put its weight firmly behind the Russian declaration that price rises for goods ranging from furs to windshield wipers had first to be approved by the Russian parliament.

But many shop managers caught in the cross-fire between Soviet and Russian authorities decided simply to close their doors or not to sell the items in dispute.

Moscow's state jewellery shops for example were closed for "stock-taking". Asked whether the shops were modifying their prices, one manager replied: "We are not changing anything. We do not yet know what to do."

The manager of a carpet shop said his shop was open but completely empty. "We do not have any goods to raise prices on," he explained.

The capital's state-run restaurants meanwhile withheld fish and caviar from clients. "You will not find these items at any restaurant today because we do not know what price they should go for," said a manager at the prestigious Tsentralny restaurant.

Polish PM lays out his plans

PRIME MINISTER Tadeusz Mazowiecki's election platform, published yesterday, promises to privatise half Poland's state-owned industry within three years and bring the country into the European Community by the year 2000, AP reports from Warsaw. Mr Mazowiecki is trailing Mr Lech Walesa in opinion polls in the run-up to the presidential election on November 25.

Mr Mazowiecki said in his platform that "unemployment is inevitable," while Mr Walesa in his policy document, published on Tuesday, referred to it as a "transitional" problem and stressed the state's role in regulating the job market.

Mr Walesa has also proposed strengthing the powers of the president.

The Financial Times (Europe) Ltd. Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1990.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: B. Hughes, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Sir Geoffrey Owen. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41, Fax (33) 935335.

Republics' sabotage of reforms directly endangers existence of country, says Markovic

Yugoslav's PM warns of total disintegration

By Judy Dempsey and Laura Silber in Belgrade

YUGOSLAVIA'S prime minister, Mr Ante Markovic, said yesterday that if his economic and political reforms were not implemented by all the republics, the country would disintegrate completely or slide into dictatorship.

If the chaos continued, Yugoslavia would become a factor in the "Balkanisation" of Europe, instead of being an active player in the "Europeanisation" of the Balkans, he warned.

Mr Markovic's two-hour-long combative speech to the federal assembly accused the republics of Croatia, Slovenia and Serbia of sabotaging his reforms.

"The acts (of these republics) directly endanger the continuing existence of the country," he said.

The three republics were threatening Yugoslavia's national interests and integrity as a state by obstructing the work of the government, through overriding federal laws in the judiciary, national defence, monetary and tax policies, and even undermining the country's foreign economic relations.

He specifically accused Serbia of preventing the functioning of the economy by imposing an economic blockade between the republics, arbitrarily raising prices, and even refusing to inform its citizens about the work of the federal government.

The Serbian government, led by Mr Slobodan Milosevic, yesterday banned Belgrade television from broadcasting Mr Markovic's speech live. Belgrade is the federal as well as Serbian capital.

Mr Markovic said: "The work and results of the federal government are constantly undermined and compromised by lies, disinformation, insults, curses and blockade of the media whose goal is to separate the federal government from the public and to prevent citizens from having access to the truth."

The prime minister introduced the first significant package of economic reforms last December.

These included the convertibility of the dinar, pegged to the D-Mark at 7 dinars to DM1; reducing inflation (brought down from 1989's total of 2,000 per cent to the current monthly 8 per cent); implementation of a federal restrictive fiscal and monetary policy; rehabilitation of the banks and introduction of privatisation.

Without these reforms, Mr Markovic said the establishment of capital markets and attracting much-needed foreign investment could not take place.

To finance these reforms, the government was counting on $2.5bn from abroad which was needed to modernise the economic infrastructure.

However, he warned, "the perception abroad that Yugoslavia is on the brink of disintegration or civil war" was inhibiting the international financial community from investing in the country.

Markovic: government constantly undermined

Sweden shows signs of economic strain

By Robert Taylor in Stockholm

SWEDEN'S consumer prices will rise by 11.2 per cent this year – the highest rate of increase for a west European country, according to official statistics released yesterday.

A further sign of the overall worsening economy – a 0.9 per cent drop in industrial production in September compared with the same month last year – has also just been announced by Sweden's statistical office.

Industrial production for the first nine months of 1990 has dropped by 1.6 per cent.

Sweden's visible trade balance has also fallen sharply – by SKr7.6bn ($1.4bn) to SKr14.6bn over the 12 months to September 1990, against the same period a year earlier. The country recorded an actual deficit of SKr1.1bn in October, mainly due to the rising cost of oil and petrol imports.

These central bank figures also show that the balance of payments deficit, over the same 12 months, has worsened to SKr30.4bn, against SKr12.8bn.

Compounding the economic gloom, redundancy notices in October rose to their highest level since November 1981 and the Labour Market Board expects registered unemployment to almost double in the next financial year, to around 3.5 per cent.

In October the price index went up by 0.7 per cent, mainly due to an increase in the cost of clothes, shoes, travel, and interest rates, bringing the rise so far this year to 10.7 per cent.

Hungary's health is one casualty of communism

Nicholas Denton describes the stark reality of a society riven by serious illness

AN average 30-year-old Hungarian man in the late 1940s stood to live longer than he does now. No indictment of four decades of communism is more powerful.

Forced industrialisation which pushed peasants into anonymous industrial suburbs, the loss of self-respect and an authoritarian culture which trickled down to the health service have left Hungarians physically sick.

Heart disease and cancer are killing off Hungarians, particularly middle-aged men and the poor. Self-destructive lifestyles are a leading cause of illness, while an unjust, insensitive and inefficient health service often makes a mess of the cure.

The casualty statistics are like those of "a world war", says Dr Laszlo Surjan, Hungary's health minister.

Life expectancy for 30-year-old men was a further 39.7 years in 1949 and 40.6 in 1970. But it then fell steadily and now stands at 38.5 years. Mortality for 40-44-year-old males has deteriorated even more strikingly: from 3.2 per 100,000 in 1960 to 6.8 per 100,000 in 1989.

Several countries have high incidences of either cancer or heart disease, the main killers in developed countries. "We have both", says Dr Peter Jozan. Mortality among men from these two causes substantially exceeds that in other east-central European countries, let alone the level in the West. The picture is similar, though not so stark, for women.

In addition hypertension mortality is three times the British level. Death by cirrhosis of the liver, the alcoholics' disease, has risen sharply since the 1960s. Premature births are about twice as numerous as in the West. Most damning of all, Hungary's suicide rate is the world's highest.

Moreover, the suffering is concentrated. Inhabitants of Budapest's second district, home to the old party apparatchiks and the new rich, live more than five years longer than their near neighbours in the capital's poorer seventh district. The difference is like that between West Germany and Syria, says Dr Jozan.

HEALTH IN EASTERN EUROPE

The medical profession's reflex is to blame their patients behaviour, with much justification.

Diet is a big culprit. Heavy sauces on fatty meat; the excessive use of salt; and sugary, gelatinous cakes are characteristics of Hungarian cooking. Hungarians eat so much food – 3,300 calories a day, – that a third are overweight.

They drink and smoke a lot too. Some bars are full by the morning and Hungarians smoke twice as much as Westerners on average, partly because cigarettes are among the cheapest in Europe.

To compound their ill-health, Hungarians, for whom second jobs are the norm, work some of the longest hours in Europe. Many also spend what free time remains building their own homes, the only way they can afford to own one, while poorer people grow food on private plots, the only way they can afford half-way adequate nutrition.

But medical experts are unwilling to take this self-destructive behaviour as given. They search for its roots and find many of them in the communist era.

Forced industrialisation after the war drew peasants into unskilled work and the grim tower block suburbs that surround main towns. "They are like the North African immigrants in France or the West Indians in London – except that among West Indians in London you can find a community", says Dr Jozan.

Some analysts even find a link between the limited freedoms – such as travel to the West – during the communist era and today's ill health. They contend that the lure of consumer items and holiday cottages led Hungarians to work harder, but could not replace the gap left by the beliefs which the communists had declared taboo.

"People lost their self-respect," says Dr Endre Czeizel of the Institute of Hygiene. "Indirect self-poisoning" was the result.

The health service also emerges ailing from four decades of communism.

Like other parts of the Hungarian state sector, it measured its success by output – the number of doctors and hospitals and length of hospital stays – rather than by the quality of the health of the population.

And like in other parts of the state sector, Hungarians got around the system. Doctors, for instance, maintain their livelihoods by keeping patients in hospital longer than necessary: 12-14 days on average compared with 5-7 days in western Europe.

"Doctors have to show to their directors that they have patients, the wards are full, and they need money", says Mr Laszlo Antal, a prominent health economist.

Doctors are as numerous as in the West, but underpaid: Ft15-20,000 (£125-165) a month is the standard official salary. Many doctors rely on tips, which amount to Ft6-10bn a year, compared with direct state spending on health of Ft66bn, about half of which goes on salaries.

Patients tend to give tips if they are wealthy and when they are happy. Unsurprisingly, doctors gravitate towards the cities and their plusher districts, and towards fields associated with childbirth.

The number of obstetricians has grown over the last 20 years, although the number of births has fallen. Meanwhile, there are too few cancer wards and geriatric facilities.

One more heritage of the communist era is what Mr Antal calls the "dictatorship of the doctors". Self-care books and groups, for instance, were almost unheard of until a couple of years ago, because neither the government nor the medical establishment liked associations of their subjects.

Dr Surjan, the minister for health, ticks off ideas for the reform of the system: more responsibility for general practitioners; making companies bear the cost of sick pay for longer than the first three days to deter long hospital stays at the expense of the state; payment by diagnosis, co-ordinated by a computer network; and greater choice for patients, for example.

But, even if the warped structure could be righted by a few clever reforms, it would not be enough. For Hungary's deepening economic crisis is putting pressure both on health spending and on the poor. As workers lose their jobs and fall below the poverty line, more of them will fall sick, the latest casualties of the communist legacy.

Denmark heads for general election

By Hilary Barnes in Copenhagen

DENMARK is likely to have a general election in December, after talks between the right-centre coalition government and the opposition Social Democratic party on economic policy broke down.

The minority government of Prime Minister Poul Schlüter has now tabled a programme of legislation. If it is voted down in the Folketing next week, Mr Schlüter, the Conservative leader, is expected to call an immediate election, probably for December 13.

A last-minute compromise cannot be ruled out, as the differences between the government and the Social Democrats appear to be narrow. But the minority government is under considerable pressure from its supporters in the Folketing not to make any more concessions to the Social Democrats.

EC proposes writing off $4bn in Third World debt

By David Buchan in Brussels

THE EUROPEAN Commission has formally proposed writing off Ecu3bn ($4.17bn) of debt owed by 68 African, Caribbean and Pacific (ACP) states to the European Community

The proposal, which would do nothing to relieve the ACP countries' debt of Ecu130bn to individual EC member states and other nation creditors, was broached earlier this month to EC aid ministers. Government officials generally reacted favourably.

Mr Manuel Marin, the EC aid commissioner, said the Commission had felt that it was obliged to wipe the debt slate clean for all 68 ACP recipients of EC aid under the Lomé convention.

However, he acknowledged that many EC governments wanted debt relief to be given case-by-case.

Traditional Community proponents of financial rigour, such as Britain, the Netherlands and Germany, have suggested making debt forgiveness a reward for structural economic reform.

Mr Marin has not yet been able to pinpoint which ACP states would benefit most, but some EC diplomats worry that the chief beneficiaries would not be the poorest among the grouping.

The Commission will shortly produce suggested guidelines of how to tie aid to observance of human rights and democracy.

However, most members do not believe that such criteria should be applied to debt relief.

NOTICE OF REDEMPTION

MORTGAGE FUNDING CORPORATION NO. 2 PLC

Class B-1 Mortgage Backed Floating Rate Notes
Due August 2023

NOTICE IS HEREBY GIVEN to Bankers Trustee Company Limited (the "Trustee") and to the holders of the Class B-1 Mortgage Backed Floating Rate Notes Due August 2023 (the "Class B-1 Notes") of Mortgage Funding Corporation No. 2 PLC (the "Issuer") that, pursuant to the Trust Deed dated 31st August, 1988 (the "Trust Deed"), between the Issuer and the Trustee, and the Agency Agreement dated 31st August, 1988 (the "Agency Agreement"), between the Issuer and Morgan Guaranty Trust Company of New York (the "Principal Paying Agent") and others, the Issuer has determined that in accordance with the Redemption provisions set out in the Terms and Conditions of the Class B-1 Notes, Class B-1 Notes in the amount of £11,000,000 will be redeemed on 30th November, 1990 (the "Redemption Date"). The Class B-1 Notes selected by drawing in lots of £100,000 for redemption on the Redemption Date at a redemption price (the "Redemption Price") equal to their principal amount, together with accrued interest thereon are as follows:

OUTSTANDING CLASS B-1 NOTES OF £100,000 EACH BEARING THE DISTINCTIVE SERIAL NUMBERS SET OUT BELOW

Bearer Notes

14	107	227	344	426	569	656	710	838	895	1065
26	111	239	346	436	586	664	715	839	903	1084
29	133	250	356	446	593	665	730	842	936	1094
36	124	263	377	479	603	677	744	850	947	1097
50	140	264	390	487	610	682	768	851	950	1101
58	150	282	394	493	623	686	770	862	956	1104
59	154	286	398	514	625	689	808	867	992	1124
82	173	310	401	519	637	693	815	885	1033	1144
86	198	330	403	538	647	705	819	889	1039	1145
106	213	342	423	552	654	706	820	894	1040	1148

The Class B-1 Notes may be surrendered for redemption at the specified office of any of the Paying Agents, which are as follows:

Morgan Guaranty Trust Company
of New York
PO Box 161
1 Angel Court
London EC2R 7AE

Union de Banques Suisses
(Luxembourg) SA
36-38 Grand-rue
L-2011 Luxembourg

Morgan Guaranty Trust Company
of New York
Avenue des Arts 35
B-1040 Brussels, Belgium

Morgan Guaranty Trust Company
of New York
30 West Broadway
New York, New York 10015
Attn: Corporate Trust Operations

In respect of Bearer Class B-1 Notes, the Redemption Price will be paid upon presentation and surrender, on or after the Redemption Date, of such Notes together with all unmatured coupons and talons appertaining thereto. Such payment will be made (i) in sterling at the specified office of the Paying Agent in London or (ii) at the specified office of any Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payee with, a Town Clearing branch of a bank in London. On or after the Redemption Date interest shall cease to accrue on the Class B-1 Notes which are the subject of this Notice of Redemption.

MORTGAGE FUNDING CORPORATION NO. 2 PLC
By: MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, *as Principal Paying Agent*

Dated: 16th November, 1990

NOTICE

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Tax Compliance Act of 1983 unless the paying agency has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent if presenting your Class B-1 Notes to the paying agency's New York Office.

● THE MIDDLE EAST

Egypt and Syria accuse Iraqis of summit sabotage

By Tony Walker in Cairo

EGYPT and Syria last night accused Iraq of scuttling a proposed emergency Arab League summit to stave off war in the Gulf by setting impossible conditions on its attendance.

Strong criticism of Iraq by President Hosni Mubarak of Egypt and Syria's President Hafez al-Assad appeared aimed at exerting further pressure on Baghdad at a critical moment in the Gulf crisis when the threat of war is increasing.

The two leaders said at the end of two days of talks in Damascus that Iraq's preconditions – Baghdad has demanded that resolutions of a previous emergency Arab summit in Cairo on August 10 be scrapped – made the convening of a new gathering of heads of state "difficult, if not impossible". King Hassan of Morocco had appealed to fellow Arab leaders to support his calls for a "last chance" summit.

But despite renewed discussion of an "Arab solution" to the Gulf crisis there has been little sign of progress in faltering efforts to resolve the crisis peacefully.

Arab officials said discussions were continuing behind the scenes in an attempt to fashion a face-saving formula that would enable Iraq to remove its legions from Kuwait. They said talks were focusing on a "linkage" between withdrawal and the Palestine question.

Kuwait yesterday strongly rejected Morocco's call for an emergency summit. Mr Badr Jassim al-Yaqoub, the acting Kuwaiti information minister, said Iraq's refusal to implement United Nations Security Council resolutions demanding its unconditional withdrawal from Kuwait would make such a summit valueless.

These sentiments were in accord with those expressed by Prince Saud al-Faisal, the Saudi foreign minister, who said on Wednesday: "Any Arab meeting will yield no fruit or result unless Iraq agrees to abide by the decisions of the Cairo Arab summit and international resolutions which call for an Iraqi withdrawal from Kuwait."

The Cairo summit approved the despatch of an Arab deterrent force to Saudi Arabia to face Iraqi troops. It also endorsed UN resolutions calling for Iraq's withdrawal.

Egyptian, Saudi and Syrian officials have made it clear they are not interested in providing a forum for Iraq to seek to divide further an already bitterly divided Arab world.

Gulf investors give new significance to risk venture

By Lara Marlowe in Jubail, Saudi Arabia

TWO DOZEN industrialists and officials from Gulf countries who participated in a ground-breaking ceremony for a new petrochemical plant here this week attached more than customary significance to the event. They gathered to celebrate only 140 miles from the nearest Iraqi troops in occupied Kuwait.

"It has symbolic importance," said Prince Abdullah bin Faisal bin Turki al-Saud, director general of the Royal Commission for Jubail and Yanbu. "For the first time, the investors are all private investors and they are all from Gulf Co-operation Council (GCC) countries. They are going ahead with their plans despite the tensions in the region."

A low-flying US military transport aircraft nearly drowned Prince Abdullah's words. With the desert wind whipping the long white robes of the notables, the Prince and Mr Mazen al-Lahiq, the managing director of the Saudi Formaldehyde Chemical Company (SFCCL), stepped off the carpet laid on the industrial lot to overturn symbolic shovels full of sand. The formaldehyde plant fits perfectly into the scheme for Saudi Arabia's main industrial city of Jubail.

Primary industries are now well established and government officials hope that they will, in turn, spawn secondary industries (such as formaldehyde production) which then lead to downstream, value-added manufacturing.

The SFCCL will provide two local producers – SAMAD and Ibn al-Baytar – with the formaldehyde they require to coat fertiliser granules for export. With a capacity of 24,000 tonnes, the SFCCL hopes to dominate the Gulf market for formaldehyde. Ibn al-Baytar alone will consume 5,000 tonnes each year.

Only Oman did not participate in the initial 27m Saudi riyal (£3.6m) outlay. The youngest investor, Mohammed al-Zamil, 2, who holds 22.5 per cent of the company's shares, was brought to the groundbreaking by his father, Mr Fahad al-Zamil, president of al-Zamil Food Industries. Other influential Gulf industrial families were represented by Mr Yusef bin Ahmed Kanoo and Mr Sami Jalal of Bahrain. Mr al-Lahiq said the SFCCL would have invested $30m (£15.3m) by 1995 to build downstream paint, resin and adhesives factories on adjacent lots. Other possible products include melamine dishes, toilet seats and moulding compounds.

Mr al-Lahiq admitted that investors had hesitated to go ahead with planned construction of the plant, which is being built by Haldow Popsoe of Denmark, because of the Gulf crisis. But material and equipment were already in place. "Many Saudis have a trader's mentality," he said. "When this crisis is over we will have another boom."

Prince Abdullah shared Mr al-Lahiq's optimism.

"There has never before been an international consensus on the security of the Gulf," he said. "I am not a military man but people are talking about a short war, not a long one.

"The friendly forces have missiles to the north, to the west, to the south, all linked within the system covered by Awacs and fighter interceptors," he said. "There's quite a lot of protection."

British may give tanks a Soviet-style rocket shield

By David White, Defence Correspondent

THE BRITISH army is considering using Soviet-style panels of explosives to improve the protection of its Challenger tanks in Saudi Arabia against side-on attack.

Explosive reactive armour (Era) was pioneered by the Israelis in the early 1980s and has become a standard feature on new Soviet tanks. The US Marine Corps, with which British ground forces are being deployed, has been fitting similar "appliqué" armour plates to its M60 tanks.

The Challenger relies on the Chobham armour, made of metal and ceramic layers. The tank is considered well protected against frontal attack but confidential studies are under way on the use of Era on the sides to make the tracks less vulnerable.

Unlike the US Marines' older M60s, the Abrams tanks sent with the US army to Saudi Arabia also have a layered armour using a dense alloy of depleted uranium. These are not being fitted with Era.

Bolted-on Era comprises sandwiches of explosive between metal plates. It is effective against high-explosive anti-tank (Heat) munitions, fired from hand-held infantry weapons or other tanks. These "shaped charge" munitions penetrate by projecting a jet of molten copper. When one of these hits an Era panel, the front metal plate blows off at an oblique angle, countering and diverting the impact of the charge. British commanders in Saudi Arabia are unwilling to comment on the possible change, but are enthusiastic about the much-criticised Challenger's performance and reliability during desert training.

Brigadier Patrick Cordingley, commander of the 7th Armoured Brigade, said the tank had shown consistently high rates of accuracy. "The Challenger has been a great success out here," he said.

The UK is expected to announce plans early next week to send more Challengers and Warrior armoured infantry vehicles in reinforcements expanding the current brigade to a division.

If used in an attack, the tanks would face formidable barriers being erected by the Iraqis in southern Kuwait – including minefields, anti-tank trenches and, in the front line, bulldozed sand mounds or "berms", 2m to 4m high. Tanks attempting to mount these would expose their vulnerable underbellies to enemy fire.

West Bank Palestinians in Yatta celebrate the second anniversary yesterday of the declaration of independence by PLO chairman, Mr Yassir Arafat in 1988

Fury last refuge for Palestinians

Hugh Carnegy reports on the downside of a failed uprising

FOR A few days late last month, Palestinians in the West Bank and Gaza Strip felt they had won a significant – if passing – victory in the *intifada*, the grim revolt against Israeli rule.

Responding to a wave of violent attacks on Jews by Palestinians inside Israel – which in turn followed the shooting dead of nearly 20 Palestinians in Jerusalem's Old City on October 8 – the Israeli authorities closed the "Green Line" that marks the division between the territory captured by Israel in 1967 and Israel's 1948 borders.

The irony of Israel's right-wing government sealing off a border whose existence its ideology denies was not lost on Palestinians. "It proves that there are two nations, two systems," said Tariq Kayyal, a young journalist in the West Bank town of Hebron.

The ban illustrated dilemmas for both sides as the *intifada* approaches the third anniversary of its eruption on December 9 1987.

For the Israeli government, the four-day closure of the Green Line was an embarrassing contradiction of its insistence that Israel and the occupied lands are all part of a single, integral "Eretz Israel". As a response to a surge of violence, it also signalled that the Palestinian issue remains as central a threat to stability in the area as ever, despite the government's tendency to portray it as marginal.

But for the Palestinians there are also uncomfortable realities to be faced. "Victories" like the Green Line closure and the declaration two years ago yesterday of independence, remain largely symbolic. Meanwhile, the *intifada* has this year lost much of its sense of direction.

Outbursts of widespread violent protest still occur, but these have tended to be brief spasms following incidents such as the Jerusalem killings. The Israelis certainly fear calls for more attacks such as the recent stabbings of Jews.

But mainstream Palestinian leaders remain opposed to turning the *intifada* into an "armed struggle" for fear of both the physical response it would provoke from the Israelis and the loss of sympathy they believe it would provoke overseas. In the meantime, the eruption of the Gulf crisis has helped reverse one of the most important characteristics of the uprising.

It began as the exuberant expression among people of the West Bank and Gaza of the fact that after 20 years they were at last taking the initiative for themselves against the occupation. But by the third year, impasse had set in and local Palestinians were again looking to external factors to provide the momentum. Just then President Saddam Hussein of Iraq invaded Kuwait and proclaimed himself the Arab champion against Israel and the West.

As Mr Sari Nusseibeh, a prominent academic and leading Palestinian figure, said: "Suddenly someone came out of the desert with rockets instead of rocks. He suddenly seemed to people to represent that potency and power that they lack." This is echoed by Mr Mustafa Natshe, former mayor of Hebron. "Our attention has moved in the past three months to the Gulf, more than to thinking of new ways of struggling against the occupation. We don't believe that we on our own can achieve a solution."

The stalemate on the ground is reflected in the casualty figures. By yesterday, about 740 Palestinians had been killed by Israeli forces during the course of the *intifada*, and 54 Jews had died. But, aside from occasional surges of casualties, the number of deaths has declined dramatically compared to the first two years.

One reason for this has been a refinement of army tactics, including more cautious use of lethal ammunition. But another factor has undoubtedly been a fall-off in demonstrations. Sharply increased numbers of Palestinian deaths at the hands of fellow Palestinians, usually for alleged collaboration with the Israelis, also denote a diffusion of energies. Some 270 Palestinians have died this way.

Israeli politicians – though significantly not the army, nor Israeli citizens alarmed by recent stabbings – suggest the stalemate shows the *intifada* is expiring. In fact, Palestinians if anything feel more bitter and more opposed to Israeli rule because their efforts have yielded so little.

Their problem is to translate this anger into new forms of resistance that go beyond youths throwing stones, and getting shot in return, or commercial strikes which barely effect Israel. "There is no sense that there is any direction now," says Mr Nusseibeh. Instead, extremist elements on both sides increasingly hold the stage, with a consequent worrying rise in tensions, particularly in Jerusalem, while everybody waits for the outcome of the Gulf crisis.

In Palestinian villages and refugee camps, most hope that a victorious Saddam Hussein will use his power to force Israel to back down – or that a victorious US will put pressure on Israel to solve the Palestinian issue.

But others trust neither prospect. Instead, they counsel that the Palestinians of the West Bank and Gaza should once again search for ways of determining their own future.

Velayati's Baghdad visit may affect crisis

By Lamis Andoni in Baghdad

MR ALI Akbar Velayati, the Iranian foreign minister, wound up a visit to Iraq yesterday with the two countries moving cautiously to improve relations in the aftermath of the 1980-88 Gulf war and to solve a dispute over exchange of prisoners.

Mr Velayati, the most senior Iranian visitor to Baghdad since the Iranian revolution in 1979, met President Saddam Hussein and other officials and visited Shia Moslem shrines. The relationship between Iraq and Iran, the two most powerful states in the Gulf region, may have a profound effect on the outcome of the present crisis.

Tehran condemned the Iraqi invasion in August, but is also opposed to the presence of US forces in Saudi Arabia.

Mr Velayati told the Iraqi newspaper al-Jumhuriya that initial understandings had been reached on the problem of prisoners of war and on future visits by Iranians and Iraqis to religious shrines in each other's country. "Relations between the two countries are witnessing a positive development," he said. "I developed the feeling that the leadership in both countries are striving to fortify relations on the basis of good neighbourliness and friendship."

Iraqi officials insist that as many as 37,000 Iraqi prisoners of war have not returned home, and say that some of those who have been freed by Iran seem to have been brainwashed. Iran and Iraq restored diplomatic relations after Mr Saddam, facing international condemnation over Kuwait, decided to withdraw his troops from Iranian territory and recognise the old frontier.

Iraq is hoping that Iran will help to undermine economic sanctions against Baghdad. Smuggled Iranian potatoes, matches, apples and tomato sauce are on sale in Iraqi groceries, but Iraqi officials do not believe that Iran will undertake a serious effort to break the blockade.

Defence spending rebuff highlights Israel's plight

By Hugh Carnegy in Jerusalem

THE severe budgetary strains imposed on Israel by the Gulf crisis and a flood of Soviet Jewish immigrants have surfaced in Jerusalem with a request by the Defence Ministry for a sharp rise in defence spending next year being rebuffed by Mr Yitzhak Moda'i, the finance minister.

Moda'i: defence cuts

Mr Moshe Arens, the defence minister, asked Mr Moda'i for defence allocations to be increased by 1.5bn shekels (£382.60m) in next year's budget, now being drawn up by the treasury, chiefly to meet the cost of countering the increased military threat from Iraq.

Defence has habitually been the biggest item in Israeli state spending after debt servicing. In the 1990 budget it accounted for Shk12.5bn out of total spending of Shk62.5bn and has since been supplemented. Mr Arens has said the cost of maintaining heightened military readiness because of the Gulf crisis will be about $1bn (£500m) over six months.

Pledges of extra US military aid, worth more than $1bn on top of regular annual aid of $1.8bn, will help cover the cost, but Mr Arens is pressing hard for more from domestic resources. Mr Moda'i told him the state simply could not afford the Shk1.5bn he requested, and suggested some cuts in defence spending.

The issue is to be referred to the Cabinet. Senior Finance Ministry officials say the 1991 budget, due to be put to the government in nine days, is proving "the hardest in Israeli history".

China denies giving UN undertaking

By Peter Ellingsen in Peking

CHINA yesterday denied it had given any firm undertaking not to block a possible United Nations resolution backing the use of force against Iraq.

US diplomats said last week that China had agreed not to use its Security Council veto against any such resolution, following talks in Cairo last week between Qian Qichen, China's foreign minister, and Mr James Baker, the US secretary of state.

But Li Jinhua, a Foreign Ministry spokeswoman, said yesterday that China's possible use of its veto had not been discussed during Qian's Gulf tour. "According to my knowledge, during his visit to Iraq, foreign minister Qian Qichen did not talk about this issue," she said.

"Our attitude is clear. We believe as long as there is any shred of hope of peace, efforts should be made for a peaceful solution to the Gulf crisis. In order to reach a peaceful settlement in the Gulf, China has made, and will continue to make, efforts to this end."

Li's remarks throw doubt on Peking's attitude towards any possible UN resolution, and thus on the ability of the US and its allies to win Security Council support for military action in the Gulf should they decided to seek such backing.

Runcie: war may be lesser of two evils

By Victor Mallet, Middle East Correspondent

DR Robert Runcie, the Archbishop of Canterbury, joined the debate on the morality of a Gulf war yesterday by declaring that a conflict might be the lesser of two evils.

"The world faces a very sombre situation," he told the General Synod of the Church of England. "Despite all the horrors and misery that war would certainly involve, we have to face the fact that it could be the lesser of two evils." Dr Runcie said it would be foolish to rule out the use of force as a last resort, but he said economic sanctions against Iraq must be given time to work.

"A year of sanctions would be far cheaper in every way than even a very short war," said Dr Runcie. He added: "Though war is only rarely just, it can be justifiable."

Last week Cardinal Basil Hume, head of the Catholic church in Britain, said military action could only be justified if other avenues to a solution had failed, and if the likely damage was not out of all proportion to the original injustice. Dr Runcie, a former tank officer in the Second World War, who is due to retire shortly, said a solution to the Gulf crisis should lead on to the settlement of other Middle East conflicts, in particular the Palestinian question.

UN chief angered by charges of cronyism

By Michael Littlejohns in New York

CHARGES of racism and cronyism over the selection of the UN official who will be in charge of aid for 15m refugees worldwide have sparked bitter controversy and embarrassed Mr Javier Pérez de Cuéllar, the secretary general, who must make a nomination.

Although there are several western candidates for the post of High Commissioner for Refugees, his first choice was his own chief of staff, Mr Virendra Dayal from India.

The proposal drew protests from the US, which contributes 25 per cent of the agency's $550m (£280.6m) annual budget, and other western countries, some of which complained of inadequate consultation.

Cronyism became an issue because the secretary general is nearing the end of his term, and it was suggested he might be trying to help a loyal aide who, at 55, is several years short of his own retirement.

In an angry and unusual public response, Mr Pérez de Cuéllar expressed "profound" irritation and observed that Mr Dayal was eminently qualified to be high commissioner, even if he was "neither a western European nor an 'available' national politician with ambitions in the international field."

These aspirants are said to include Dr David Owen, the former British foreign secretary. Dr Owen is understood to be interested in the position but might find difficulty in securing the formal backing of his own government. British officials here deny he is a candidate.

Among known contenders are Miss Flora MacDonald, the former Canadian cabinet minister, Mr Bernard Kouchner, French under-secretary for humanitarian affairs, Mr Tom Erik Vraalsen, a Norwegian government official, and Mr Franz Ceska of Austria.

Mr Kazuo Chiba, who is due to leave his position as Japanese ambassador to the UK towards the end of this year, has been named in some quarters as a candidate. This was denied last night by the Japanese embassy in London.

Mr Thorvald Stoltenberg, the previous high commissioner, resigned last month after only 10 months in the job to return to Norway as foreign minister.

Nigerians determined to wipe the debt slate clean

Lagos is within reach of solving a problem that has soured international relations, writes Tony Hawkins

FOR THE first time in more than a decade there is light at the end of the Nigerian debt tunnel.

A solution to the problem that has dominated the country's political and economic agenda, soured relations with the international business and banking communities and forced successive governments to impose harsh austerity policies is now within reach.

"We want to wipe the slate clean," says the country's experienced finance minister, Alhaji Abubakar Alhaji, adding that this would leave the civilian government scheduled to take office in 1992 with a manageable foreign debt.

Nigeria's attempts to conclude a debt-reduction agreement with its commercial bank creditors are temporarily stalled after last month's rejection by the banks of a buy-back proposal covering 60 per cent of the $5.6bn (£2.85bn) debt on the ground that it was "not voluntary". With both sides making concessions, however, substantial progress has been achieved and a deal, similar to that obtained by Costa Rica in October 1989, is now likely.

A solution to the commercial debt impasse, a new standby credit from the IMF and a rescheduling agreement with the Paris Club of official creditors on Toronto or, preferably, Trinidad terms, to be discussed next month, could mean that when the civilians return, the debt-service ratio will be below 20 per cent. This would open the door to the much higher import levels needed for Nigeria to achieve sustained growth through the 1990s.

Mindful of past mismanagement of oil windfalls, President Ibrahim Babangida's administration is determined to get it right this time.

Ministers stress that the boom in oil prices may well be short-lived and that long-term plans cannot assume a price in excess of $23 a barrel.

Perceptions of Nigeria have changed, at home and abroad: domestically, there is a growing clamour for higher imports, more spending, on social services and the infrastructure as well as the "democratisation" programme.

Abroad, foreign creditors have little sympathy for one of the main beneficiaries of the Gulf crisis. So far, however, the balance is clearly in Nigeria's favour.

Recognition that the windfall may be short-lived is strengthening the hand of those arguing that a debt buy-back operation would be the most efficient use of the surplus.

Indeed, in the first half of 1990, Nigeria spent $2.7bn on debt service – some $600m more than the entire 1990 debt-service budget – partly, presumably, because it has been buying back some of its debt in the secondary market. Bankers put the figure of repurchased commercial bank debt at more than $1.5bn.

This is the main explanation for government overspending in the first half of the year when public spending was 33 per cent above budget. The Central Bank of Nigeria set the alarm bells ringing when it reported that the budget deficit was running at annual rate of N30bn (£1.78bn) – about 11 per cent of GDP. But the CBN's deficit calculation ignores the first-half N15.7bn surplus in the oil exports stabilisation account.

Once this is taken into account and loan repayments are treated as below-the-line expenditure, as they should, the public sector is comfortably in surplus. One projection for the fiscal year to December points to a fiscal surplus of some N15bn – 5 per cent of GDP.

At the same time, tight monetary policy has brought inflation down from 40 per cent in 1988-89 to 9 per cent in the first half of this year, and falling.

I If debt-reduction is the centrepiece of Nigeria's external economic strategy, curbing inflation has had top short-term domestic priority. In 1988-89 inflation averaged 40 per cent annually, but tight monetary policy and the budget surplus brought the rate down to 9 per cent in the first seven months of 1990. Indeed in July, the year-on-year inflation rate was marginally negative.

With the budget in surplus, net public sector borrowing fell 37 per cent in the first half of the year, but the money supply, fuelled by a rise of more than N10bn in net foreign assets was growing at an annual rate of almost 25 per cent.

By the end of August, Nigeria had accumulated external reserves at N25bn – eight months import cover. This is further justification for the debt buy-back strategy since the continuing build-up of reserves is already exerting powerful inflationary pressures through the money supply, forcing the Central Bank to issue so-called stabilisation securities in an effort to mop up excess liquidity.

Real GDP, which rose 4 per cent in each of the last two years, is set to increase by at least 6 per cent in 1990 on the back of the 11 per cent rise in oil production to 1.9m barrels a day.

There was a current account payments surplus of almost $1bn in the first half of the year, when oil earnings averaged $18.3 a barrel. Oil exports of $4.9bn in the first six months are projected at $6.5bn in the latter half, and with outflows of no more than $8.5bn, the surplus for the full year – available for repaying debt – will exceed $3bn.

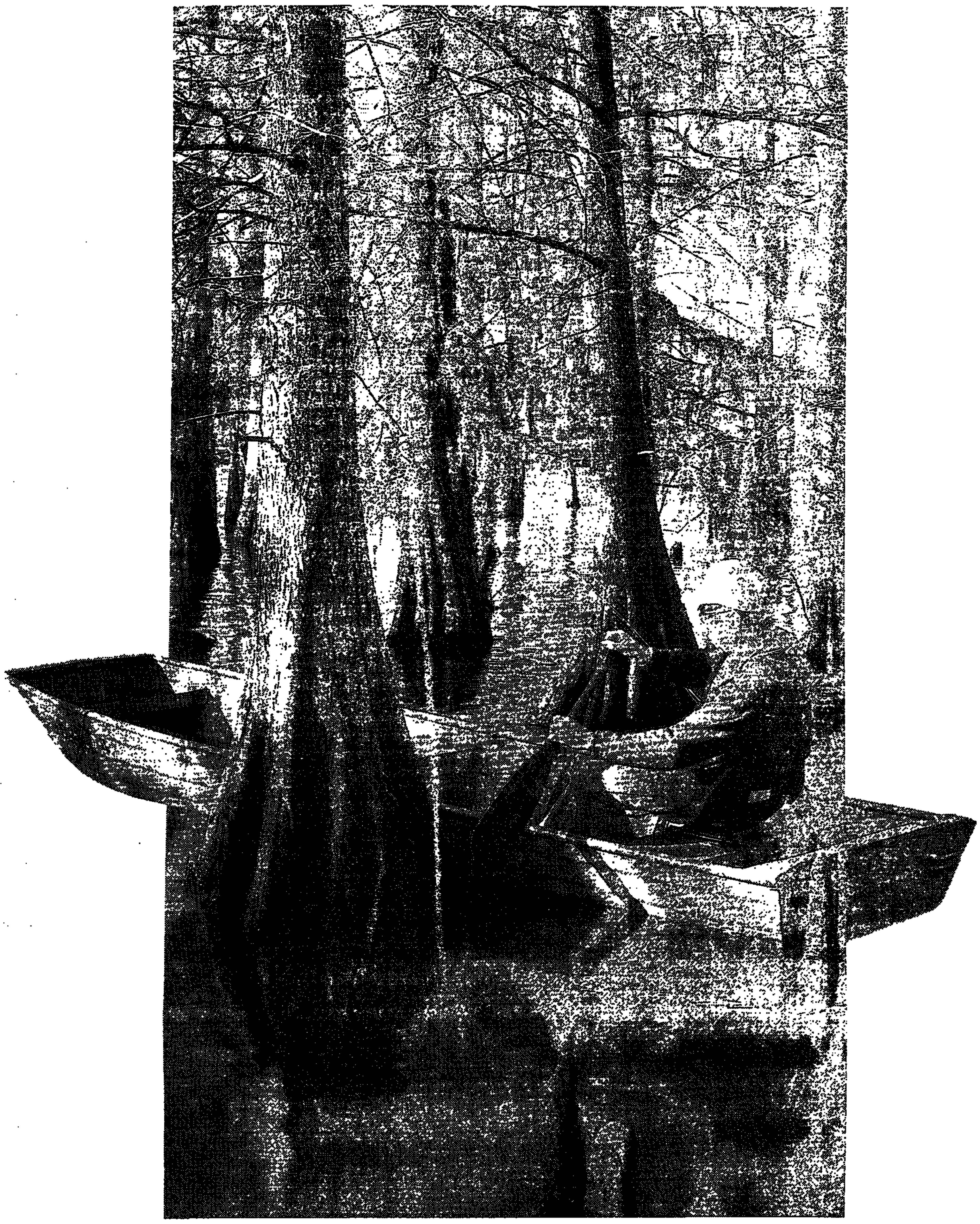
It is premature to claim that the Babangida government has turned the Nigerian economy around. There is still a long, long way to go and many pitfalls along the way – not least the possibility of much lower oil prices when the Gulf crisis subsides and a return to the bad old ways of reckless public spending, during and after the transition to civilian rule. Nigeria's involvement in the Liberian conflict is also a costly exercise.

But the military have changed the rules of the Nigerian game. Gone is the automatic opposition to structural adjustment and resort to the IMF; currency devaluation is no longer taboo, and deregulation and liberalisation have made great strides since the president launched the reform programme four years ago. Privatisation is moving slowly ahead.

The combination of debt reduction and structural reform is creating a platform for sustained recovery during the 1990s, but one crucial loophole remains to closed – that of foreign investment.

The underlying hostility to foreign capital enshrined in the indigenisation decrees remains. If, before returning to their barracks, the soldiers can manage this most emotive of reforms – and allow foreign investors already operating in Nigeria to own a controlling stake in their businesses – then prospects for post-1992 economic growth and political stability will be much enhanced.

For Sidney Murray, the Mississippi had more to offer than leisurely boating.



Without Sidney Murray, the Mississippi river wouldn't be the same.

Since the days of Tom Sawyer and Huckleberry Finn, generations of American people have known the power and beauty of the Mississippi. For some, however, it has proved a threat as it carved out new channels on its long journey to the Gulf of Mexico.

Once, a canal was cut about 40 miles from the town of Vidalia, Louisiana, to help manage the water flow between the main river and its tributaries. Many years later, this proved a source of inspiration for local mayor, Sidney Murray.

Cruising the river one day, he saw that the difference in water level between it and the bypass canal offered a significant opportunity.

"It suddenly dawned on me that we had a potential source of clean, inexpensive hydro-electrical power on our doorstep," he recalls. "All we needed was the technology to make it happen."

The realization of his idea was as innovative as his vision. The steel structure of the entire power plant was prefabricated in a New Orleans shipyard, then towed upstream to its location. ABB coordinated and supplied the power equipment necessary to turn Sidney Murray's vision into reality.

Soon, Vidalia will have its new source of electricity. And the Sidney A. Murray Jr. Hydro Power Complex will be a showcase of man's ingenuity in harnessing nature's resources.

ABB is a world leader in electrical engineering, committed to the development of new and better ways of generating power, getting it to where it is needed, and using it efficiently.

ABB Asea Brown Boveri Ltd
Reader Services Centre
P.O. Box 822
CH-8021 Zürich/Switzerland

ASEA BROWN BOVERI

'Keating Five' face Senate ethics hearing

By Lionel Barber in Washington

FIVE US senators risked being seen as willing victims of bribery when they intervened on behalf of Mr Charles Keating, the former high-flying savings and loan owner indicted for criminal fraud, the Senate ethics committee heard yesterday.

The highly publicised "Keating Five" hearings opened with a solemn warning that the integrity of the Senate was at stake.

Senator Howell Heflin of Alabama, chairman, said: "Many of our fellow citizens apparently believe that your services were bought by Charles Keating, that you were bribed, that you sold your office, that you traded your good honour and your good names for contributions and other benefits."

The "Keating Five" hearings are expected to offer a rare insight into links between campaign fund-raising and the trading of favours in Washington DC. Mr Keating raised or contributed $1.3m (£660,000) to the senators' campaigns and political causes in the mid-1980s.

Senator John McCain, an Arizona Republican, and Democrats John Glenn of Ohio, Donald Riegle of Michigan and Dennis De Concini of Arizona attended yesterday's hearing. Senator Alan Cranston, the California Democrat who has announced he will not stand for re-election in 1992, was absent undergoing cancer treatment.

The hearings follow a year-long investigation into Mr Keating's connections with the five senators, who together have held elective office for more than a century. Four are committee chairman, and two – Mr Glenn and Mr McCain – are war heroes.

The case raises difficult ethical questions about the degree to which elected officials in Washington should help their constituents and oversee government regulatory bodies.

Mr Keating, an Arizona land developer, owned Lincoln Savings and Loan which failed at a cost of up to $2bn to taxpayers. His business interests spread into Michigan, Ohio and California.

During two highly unusual meetings in 1987, the senators allegedly sought to use collective pressure to persuade a top federal S&L regulator to ease pressure on Lincoln. Mr Riegle only attended the second meeting, where the senators were told that Lincoln faced criminal investigation. Senators McCain and Glenn say at this point they stopped contacts, although these continued with the other three senators.

Mr Robert Bennett, special counsel to the ethics committee, recommended in a 350-page report that the committee take no action against Mr Glenn and Mr McCain. Much to their annoyance, the committee decided it was too sensitive to exonerate them ahead of mid-term elections and hearings are, therefore, proceeding on all five cases.

The senators deny any wrongdoing.

Britain may shift stand on mining in Antarctica

BRITAIN will not oppose designating Antarctica an "environmental wilderness" if this is the consensus next week in talks among signatories to the Antarctic Treaty, writes Mark Nicholson.

Mr Tristran Garel-Jones, a Foreign Office minister, said the government was not rigidly opposed to declaring the continent an environmental reserve, a designation sought by some other treaty countries to prevent exploitation of mineral resources. His remarks imply a shift in British policy, which allows for future exploitation of Antarctic minerals.

The UK government played a leading role in negotiating the 1988 convention on the regulation of Antarctic mineral resource activities (Cramra), which stipulates the strict conditions under which any mining can take place.

Britain is so far the only country to have passed domestic legislation enabling ratification of Cramra.

However, opposition to the minerals convention has grown following the decision last year by France and Australia, two of the 33 nations which negotiated it, not to sign the accord and to argue instead for an outright ban on any industrial or mineral exploitation of the continent.

Mr Garel-Jones conceded yesterday that this position had gained substantial support. He indicated that Britain would not adhere inflexibly to Cramra at talks among all 39 of the Antarctic Treaty's members, which open at Viña del Mar, in Chile, on Monday.

"We still see Cramra as a good way forward, but it's not the only way forward. If there's not consensus on it, some other way must be found," he said.

Colombian union leaders threaten more strikes

UNION leaders threatened more strikes against Colombian President Cesar Gaviria's economic policies after a strike held on Wednesday disrupted telephone services and hit the oil industry, Reuter reports from Bogota.

The action seemed to have little impact in major cities and government officials branded the 24-hour strike, called by Colombia's four biggest trades union federations, a failure, saying the vast majority of workers had ignored the call.

"All workers in the country have complied with their duty and right to work," Mr Gaviria said. "Nobody stops Colombia."

But union leaders said the strike was a success and had affected agriculture, banks, ports, communications, oil and education.

"The strike carried out successfully today is the first but it is not the last," Mr Roberto Gomez, president of the General Workers Confederation. He said more than 70 per cent of Colombian production had been halted.

The strike, which came a day before Mr Gaviria completed his first 100 days in office, challenged his ambitious plans to open the protected economy to international competition and to reform the labour laws.

The strike call drew a substantial response among traditionally militant workers at the state-run oil firm Ecopetrol, with high absenteeism at some plants and refineries.

Colombia's telephone services were disrupted, with callers unable to make long-distance or international calls. But business in Bogota appeared almost normal as banks, government offices, shops and schools remained open.

Candidates disqualified from Haitian elections

ELECTION officials have disqualified three candidates from running for president, narrowing to 11 the list of hopefuls in Haiti's forthcoming elections, AP reports from Port-au-Prince.

Electoral council member, Mr Phillipe Jules, said the three were disqualified for failing to pay a mandatory filing fee. Two weeks ago the council barred for technical reasons 12 other presidential candidates from the elections, scheduled for December 16.

Among those disqualified were several officials of the Duvalier family dictatorship, which brutally ruled this Caribbean nation for 29 years.

In protest at the council's decisions, Duvalier supporters have since Monday set up barricades of burning tyres in residential neighbourhoods of Port-au-Prince.

Police and the army have made several arrests. Sporadic nightly shootings can be heard around the capital but there have been no major incidents.

When the council barred 12 candidates from the 1987 elections, thugs backed by the army killed hundreds of people. Thirty-four people were massacred at the polls and the elections were annulled.

About 300 international observers are in the country as part of a team from the United Nations and the Organisation of American States. A total of about 800 observers, including UN military advisers, are expected to monitor the vote.

The army has been patrolling road junctions and checkpoints have been set up around the country.

Two disqualified candidates – former President Leslie Manigat and Duvalierist kingpin Dr Roger Lafontant – have said they will campaign for the presidency in spite of the council's decision.

Nicaragua plans 22% spending rise

By Tim Coone in Managua

NICARAGUA plans to increase government spending in 1991 by 22 per cent to $499m (£254.5m), but faces a fiscal deficit of $150m, according to budget figures published yesterday. Only $91m of the deficit is covered by foreign loans.

As there are practically no domestic savings for the state to draw on, this suggests the government has abandoned its goal to maintain the new "gold cordoba" currency at one-to-one parity with the US dollar during 1991, unless additional foreign loans can be contracted. Defence spending will be cut by 10 per cent, following a reduction this year of the armed forces by 70,000 troops to only 28,000. This was achieved largely by ending conscription. All other key categories of spending are expected to increase, however.

Mr Emilio Pereira, the finance minister, told the legislative assembly that this was due "to the extraordinary rigidity of the state bureaucracy".

Two damaging general strikes this year, led by public sector employees, have forced the government to drop plans for big redundancies. A gradual approach is now being adopted to transfer employees to the private sector as and when alternative employment can be found.

This will depend largely on whether new investment can be attracted to Nicaragua.

The assembly is soon to discuss a series of bills aimed at stimulating foreign investment, deregulating foreign trade and privatising the banking system.

● Four Nicaraguan policemen were killed and 19 more wounded on Wednesday night when they attempted to prevent armed civilians blocking the Panamerican highway at the town of Sebaco.

Among the civilians were former Contra rebels staging nation-wide protests over government delays in handing out land to 20,000 demobilised rebels. The main road to Rama linking the Pacific and Atlantic coasts has been blocked for almost two weeks.

On Wednesday, Mr Antonio Lacayo, minister for the presidency, warned the protestors that the army would be used called in to deal with paramilitary groups that are manning the barricades.

That sinking feeling hits US policy-makers hard

Michael Prowse on the spreading economic gloom

LINGERING hopes that the US economy might be able to avoid recession appeared dashed this week when the Federal Reserve announced a much larger than expected fall in industrial output in October.

The index, which for most of this year has stubbornly failed to confirm forecasts of imminent recession, dropped almost a percentage point, roughly twice as much as expected. The decline, moreover, encompassed every industrial sector from consumer goods and business equipment to construction, mining and utilities.

The dismal production figures were merely the latest in a series of amber signals for US policy makers. Payroll employment fell 68,000 in October, the largest fall in eight years. The official index of leading indicators fell 0.8 per cent. Claims for unemployment insurance rose sharply. And a leading index of consumer confidence, monitored by the New York based Conference Board, dropped 28 per cent to its lowest level since the 1982 recession.

This week also saw the publication of weak retail sales figures. Excluding car and petrol sales, which were heavily distorted, the index fell 0.4 per cent. Adjusting for inflation, which is running at ½ per cent a month if not higher, the fall was probably closer to 1 per cent.

This string of gloomy statistics has convinced many private-sector economists that the US is indeed in recession. There are signs that even the White House is beginning to face reality. President George Bush recently warned the nation to expect some "tough times now".

Mr Michael Boskin, his chief economic adviser, will not use the dreaded word recession but accepts that the economy is "in a lull". He has conceded that GNP might decline before the end of the year but argued the downturn would be brief and mild. The economy, he suggested, should be picking up nicely by the middle of next year.

Analysts differ over the timing of the downturn and its likely severity. The consensus is that the recession did not begin much before October. This reflects the fact that real gross national product grew at an annual rate of 1.8 per cent in the third quarter. Such figures, however, are often revised.

Mr Allen Sinai, chief economist at The Boston Company, an economic consultancy, dates the onset of recession to August. You have to look at monthly data, he argues, because GNP numbers have given the wrong signal in five out of the past eight recessions. He points out that personal incomes and retail sales have fallen steadily in real terms since July, which was also the peak month for employment.

He says the Gulf crisis and higher oil prices came too late to influence the timing of the downturn, although the inflationary shock will intensify its severity.

The consensus is that any recession will be relatively shallow. Mr Sinai forecasts 10 to 12 months of falling output and a peak to trough decline in GNP of about 1½ per cent, less than the average for post war recessions. Weak labour force growth is expected to prevent the unemployment rate rising much above 7 per cent.

Mr Norman Robertson, chief economist at Mellon Bank in Pittsburgh, is also relatively sanguine. He anticipates a "sizeable decline in real GNP in the fourth quarter" with weakness extending at least until the middle of 1991. But he warns that the forecast of a "short and shallow" downturn presupposes a quick and successful resolution of the Gulf crisis.

Economists cite several reasons for expecting a relatively mild recession – if one materialises at all. Companies have been careful to prevent an excessive build-up of inventories and, as yet, do not appear ready to slash capital budgets next year. Consumer spending may be weakening but there are few signs of major retrenchment. The dollar's sharp decline against the D-mark and yen is boosting exports and providing a lifeline for hard-pressed manufacturers. But there are also many risks.

A shooting war in the Gulf would drastically tighten the stagflationary screws. And deep-seated weaknesses in the real estate and banking sectors, Mr Robertson warns, could "feed on themselves and cause a much deeper downturn". Perhaps most alarming is the absence of what Mr Sinai dubs "policy firepower".

Previous presidents have been able to combat recessions by loosening fiscal or monetary policy – or both. By contrast, Mr Bush looks almost uniquely boxed in. The scale of the federal deficit has obliged him to raise taxes in the teeth of a recession; meanwhile rising inflation and an abnormally weak dollar strictly curtail the Fed's scope to cut interest rates. The president can only wait and watch and hope that Mr Boskin's optimism is justified.

US business inventories rose a seasonally adjusted 0.5 per cent in September while sales fell 0.5 per cent, the Commerce Department reported yesterday, Michael Prowse writes from Washington.

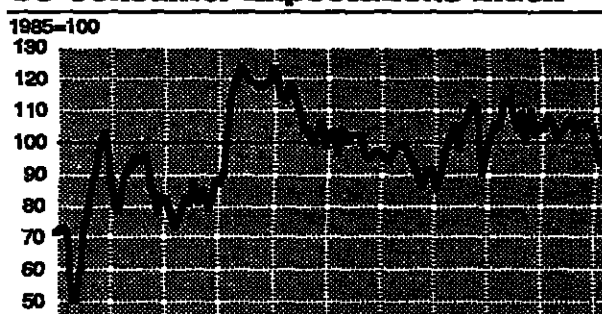
The figures provide further evidence of slowing economic activity in the US. Stocks of unsold goods are now nearly 3 per cent higher than in September last year.

Sales of durable goods by manufacturers, wholesalers and retailers were particularly weak, falling 1.9 per cent from August – before allowing for inflation.

Within this category sales by manufacturers fell 3.2 per cent. Sales of non-durable goods showed greater resilience, rising 0.8 per cent before allowing for inflation.

The overall ratio of inventories to sales, however, rose only fractionally in September, suggesting that companies are prepared for any deterioration in business conditions.

US Consumer Expectations Index



Source: Conference Board

Antigua acts on arms shipments report

THE ANTIGUAN government is to dismiss the island's self-defence force chief and bar the prime minister's son from cabinet posts, Reuter reports from St John's.

The decision follows recommendations by a commission investigating shipments of Israeli weapons to Colombian drug dealers. The commission's 230-page report has been obtained by the Caribbean News Agency.

The document, which has not been made public by the government of Mr Vere Bird, the prime minister, said the former British colony had been "engulfed in corruption". It cited actions by Mr Vere Bird Jr, former public works minister, and Colonel Clyde Walker, head of the self-defence force.

The two were accused of involvement in a 1989 shipment of Israeli weapons originally consigned to Antigua that ended up in the hands of the late Colombian drug baron José Gonzalo Rodriguez Gacha.

The commission was headed by Mr Louis Blom-Cooper, the British attorney.

The two men – who maintain their innocence – "will be given every opportunity to challenge the grounds upon which Mr Blom-Cooper made his decisions or recommendations", the prime minister said.

WORLD TRADE NEWS

US aluminium makers hope for tariff deal

By Nancy Dunne in Washington

WITH the future of the Uruguay Round in the balance, the US aluminium industry is sure of ultimate settlement on farm trade and happy that big aluminium producers may agree to equal tariffs, or none, over the next decade.

"We have probably made more progress than anybody would have thought possible," said Mr Barry Meyer, a vice-president of the US Aluminum Association.

The Aluminum Association is a member of the Zero Tariff Coalition, a group of US manufacturers who, until recently, received little attention in the round. The coalition has backing in Congress, which could help draw support from wavering members for approval of a final Gatt package.

When the round began, the EC tabled a proposal to cut its duties by about 30 per cent for all non-ferrous metals, an offer which would leave its tariff wall lower but intact. Little progress was made until big users of aluminium – the US, EC, Japan and Canada – began talks focusing on all non-ferrous metals.

"The EC hasn't come along quite as quickly as the others," Mr Meyer said. But, Mr Meyer says, enough EC countries favour aluminium competition, and believe cheaper metal would benefit their own manufacturing sectors, for an agreement to be reached on some sort of parity over time.

With the EC single market after 1992 in mind, the US aluminium industry was concerned about access to the EC market. The EC is growing more dependent on imports of ingots, which now come mostly from areas with preferential trade agreements (Efta, the Lomé countries, and Egypt). Thus, the existing tariff discriminates against the Americas and Australia.

US aluminium makers had wanted agreement by developing countries to cut their use of subsidies. This was not likely to happen, Mr Meyer said. "But we are prepared to accept this reality because there will be other rounds." There could now be "enough on the table for everyone to come away with something".

EC trade ministers yesterday met in Brussels to stress that more than farming was at stake in the Gatt trade talks, and the Uruguay Round could still be successfully concluded next month, David Buchan and Tim Dickson report from Brussels.

Reacting to recent US threats to walk out if the EC did not cut farm protection more, Mr Renato Ruggiero, trade minister of Italy, which holds the EC presidency, said the EC wanted "to negotiate, not polemicise". The US came under fire for pulling back from freeing services such as air and sea transport. Mr Peter Lilley, UK trade secretary, echoed Commission estimates that liberalisation could lead to fourfold growth in services.

Mrs Carla Hills, US trade representative, said the cost to the Third World of industrialised countries' farm protectionism was 2.5 times what it got in development aid.

Portugal fears textiles will fall victim to Gatt deal

Patrick Blum on why a troubled industry may be sacrificed in favour of a farm subsidy compromise

UNCERTAINTY over the outcome of the Uruguay Round trade talks has raised fears in Portugal that its textiles – the country's largest and one of its most vulnerable industries – could fall victim of the dispute between the European Community and the US over agricultural subsidies.

The fear is that the EC might agree to liberalise the textile trade as a bargaining chip for a compromise on farm reform. Portugal worries that the EC will offer too many concessions when negotiating the integration of textiles and clothing into the General Agreement on Tariffs and Trade (Gatt) to replace the Multi-Fibre Arrangement (MFA) – which protects the industrialised countries' textile industry – when it expires next July.

Mr Luis Fernando Mira Amaral, the Portuguese industry minister, says that a solution must be found to resolve the dispute over agriculture, but that it should not be reached at the expense of other sectors.

"We don't want to sacrifice our textiles to help to solve the problems in the agricultural sector," he says.

Portugal would like an extension of the MFA system, and it views with apprehension moves within the EC to roll the MFA into Gatt – which would make it harder to restrict textile imports. It is vehemently opposed to a full and abrupt liberalisation of the textile trade without a parallel strengthening of Gatt rules and discipline.

Officials and manufacturers say sudden liberalisation would be disastrous for Portugal and for its textile industry without guarantees over "fair competition" and reciprocity of access to markets.

There should be a 15 year transition period staggered in three stages and closely monitored and controlled by a permanent committee made up of representatives from the EC, the US, developing countries and the European textile industry. An agreement would have to be backed by a system of penalties.

Portugal is not alone in Europe in worrying over the possible impact of liberalisation, but the weight of the textile industry in its economy is far greater than for any of its EC partners. Textiles and clothing manufacturing account for 30 per cent of exports, worth Esc578bn (£2.27bn) last year. They represent about 20 per cent of gross added value of Portuguese industry and employ close to 28 per cent of industrial workers.

Almost 70 per cent of Portugal's textiles and clothing exports go to EC countries, and another 20 per cent to members of the European Free Trade Association (Efta). Opening wide Europe's doors to cheap imports from newly industrialised countries in Asia, or to low-cost producers in north Africa, south America, and eastern Europe, would exacerbate the problems of an industry which is already in crisis.

Under the impact of growing competition, the Portuguese textile industry, which is concentrated in the centre and north of the country, is going through a shake-out that has led to many closures and bankruptcies. Many more will follow.

In a small triangle between the northern cities of Oporto and Braga, closures are becoming a daily occurrence. In the last week of September alone some 1,500 jobs were lost in the area, and unions fear 3,000 more may go before the end of the year. In these small valleys, people whose entire livelihood depends on the local mill or factory are stunned by the scale of the crisis.

Producing mainly for the lower end of the mass market, Portuguese companies have long depended on a combination of low wages and part-time and contract work, including illegal child labour, to maintain their competitive advantage. But wages are edging upwards as part of a general pressure for better living standards. Third World producers can undercut local production costs, while recent entrants into the market use more modern technology.

Reliance on cheap labour and labour-intensive production has discouraged efforts to modernise factories and prolonged the life of antiquated production and management methods. Whereas the average textile factory may employ 2,000 workers, in the much larger clothing sector hundreds of enterprises are often barely bigger than workshops.

Restructuring the textile and clothing sector is vital if it is to survive, but it is expected to cause the loss of up to 30 per cent of the industry's estimated 200,000 workforce, a large proportion of whom are women with no other skills and low educational levels. Many workers are too old to be retrained, and for most workers over 50 years old it will mean early retirement.

Factories, whether large or small, will have to be modernised or face closure. More attention will have to be paid to design and quality, and greater efforts made to improve marketing and distribution.

The government estimates that the cost of restructuring and modernising the industry will be about Esc 750bn over 15 years. The chances are that the costs of modernisation and reconversion will rise further.

Portugal has benefited from EC aid, and money has been channelled into the textile sector, but in many cases this has been used to increase production rather than modernise production methods or to improve efficiency.

The government believes the future of the country's textiles will depend on moving up-market with a higher degree of specialisation. Many of the best Portuguese products are sold in smart shops in London, Paris or Düsseldorf, but almost always under international brand names. Producing as subcontractors for well-established names has denied Portugal some of the recognition that would go with promoting its own labels.

Poles warn on joint ventures

By Andrew Jack

A POLISH minister warned yesterday that automatic tax holidays for joint ventures with foreign companies may be abolished next year.

He also announced possible changes in the remittances of profits and ownership stakes by overseas corporations.

Mr Tadeusz Syryjczyk, Polish minister for industry, endorsed plans to abolish the system of three-year tax waivers for all joint ventures.

The Polish parliament was likely to approve by the start of 1991 only case-by-case waivers. However, existing joint ventures would retain their privileges.

The move follows complaints from Polish businesses that they are at a disadvantage under the present system.

Mr Syryjczyk, who was in the UK this week for a trade visit, also said restrictions on the repatriation of dividends and profits earned in Poland by foreign companies would be relaxed by January 1.

Foreign investment in privatised businesses would be brought into line with EC monopoly and competition guidelines.

Any purchases exceeding 10 per cent of a company's shares are already subject to approval by the Polish foreign investment agency.

In spite of the uncertainty generated by elections at the end of this month, Mr Syryjczyk said "every politician is agreed on the basic problems of economic development and co-operation."

Anger at Ontario's Israel boycott

By Bernard Simon in Toronto

THE ONTARIO Science Centre, a permanent science exhibit in Toronto owned by the Ontario government, has found itself in hot water after agreeing to an Israel-boycott clause in a contract to supply exhibits for a children's museum in Oman.

The science centre, which is one of Toronto's premier tourist attractions, has apologised for signing the C$1.2m (£520,000) contract, which included a requirement that none of the equipment supplied to Oman would be made in Israel, bought from an Israeli company or shipped on an Israeli vessel or airline.

The Ontario government is investigating a possible breach of the Discriminatory Business Practices Act and its own human rights code which forbids public agencies to discriminate on the basis of race, place of origin, creed or ethnic background.

Mr Bob Rae, the provincial premier, said he was "profoundly disturbed" by the centre's acquiescence in the boycott. Shortly after signing the contract last May, the centre was alerted by a government legal adviser that the boycott clause was inconsistent with the human rights code.

The centre then suggested to the Omanis that the clause be replaced by a commitment to buy all materials from North American companies. Mr Rae described the revision as a "way of getting around" the boycott issue. Jewish groups have condemned the contract's original and revised versions.

Marubeni to join $60m plant project in China

MARUBENI of Japan, in conjunction with US and Canadian concerns, has signed a contract to join a $60m (£30.6m) petrochemical plant project in Peking, Marubeni said yesterday, AP-DJ reports from Tokyo.

Canada will provide a no-interest loan for the plant, which will produce 60,000 tons of styrene monomer a year.

Partec Lavalin of Canada will be the leading company in the project, while Badger Engineering of the US will provide machinery-testing services. Marubeni's involvement will come after the plant is completed, in sales and exports of the styrene monomer.

The Canadian loan amounts to 40 per cent of the project's outlays. It is repayable over 50 years, with the first payment deferred for 10 years after the plant is completed.

The other 60 per cent will be financed by private bank loans.

Mercedes-Benz signs bus deal with Soviet Union

MERCEDES-BENZ, the German motor maker, yesterday signed an accord to produce its buses in the Soviet Union, in a deal worth DM250m (£86.5m), Quentin Peel reports from Moscow.

The agreement with Avtrokon, a Soviet bus manufacturer producing 30,000 of its own vehicles each year, provides for a new bus factory in Golitsyno, outside Moscow, equipped with machinery from Mercedes' plant in Mannheim.

By 1994, Avtrokon should be making 2,500 Mercedes 0 303 models a year, although at first they will be assembled from kits. The deal should boost Soviet hopes of more international co-operation, just when foreign investors are increasingly wary of the Soviet market. But it does not involve Mercedes in any direct investment, except in training and quality control.

Financing was agreed just before the signing ceremony yesterday. Prof Werner Niefer, chairman of the Mercedes-Benz management board, said. It involves a consortium of German banks, and the Soviet Vneshekonombank. Avtrokon will invest DM150m in new production facilities, including painting lines and conveyor and control systems, with transfer of the model-specific manufacturing equipment from Mannheim. The other DM100m will pay for the manufacturing licence, and import of the first production kits.

Prof Niefer said the pact would start an expanding collaboration with the Soviet Union, to include production of commercial vehicle assemblies and more production models.

The 0 303, the best-selling Mercedes bus, of which over 85,000 have been built, will be phased out in Mannheim, and replaced by the new 0 404. The licence deal requires Avtrokon to clear future bus exports with Mercedes-Benz. Officials stressed strict quality control by the German manufacturer.

UK NEWS

Charges dropped over supergun exports to Iraq

By Richard Donkin and Ralph Atkins

THE case of the Iraqi supergun which erupted in April with a barrage of international arrests and seizures fizzled out in a British court yesterday when charges against two businessmen of illegally exporting parts of guns were dropped.

No sooner had charges been withdrawn against Dr Christopher Cowley, a metallurgist and Mr Peter Mitchell, managing director of Walter Summers – an engineering company in central England, than a fresh offensive was launched on the political front.

Mr Gordon Brown, the Labour party spokesman on trade and industry secretary demanded a Commons statement on the affair, saying the government could "no longer hide behind the cover of pending legal proceedings."

Mr Brown said the department of trade and industry (DTI) had to tell MPs what warnings it received, the information it had available and explain why the department took so long to act.

He said: "The truth is that the DTI were negligent and culpable in failing to respond to the very clear warnings on the supergun."

The supergun – in fact two guns of different sizes – had been the culmination of a dream by Dr Gerald Bull, a Canadian scientist to construct a weapon capable of launching a projectile hundreds of kilometres.

That the project was deadly serious was underlined when Dr Bull was assassinated while entering his flat in Brussels about a month before the seizures. Tip offs about the gun alerted intelligence services throughout Europe and parts for the guns were traced to Spain, Switzerland, Italy, Turkey and Germany.

While the UK believes that Iraq did not succeed in building a completed weapon a prototype of the smaller version is known to have been damaged in a test firing last year.

While the charges of illegally exporting prohibited equipment were dropped, the Customs and Excise said last night that it had established that eight sections of pipe it seized were part of a giant gun and that it had prevented the export of "some highly lethal weaponry" to Iraq.

Few Ulstermen celebrate birthday of peace accord

Five years after the Anglo-Irish Agreement was signed, Ralph Atkins reports on continuing stalemate

REMEMBRANCE Sunday at Belfast's cenotaph was marked last weekend with flags, silence – and the conspicuous absence of Mr Peter Brooke, Northern Ireland secretary.

On the fifth anniversary of the Anglo-Irish Agreement yesterday the anger of Unionists – those who want Northern Ireland to remain part of the UK – towards government ministers is still there. Even reverence for those who died defending the UK cannot be put above the ossified politics of Northern Ireland by Belfast City Council. Mr Brooke, the unofficial viceroy of an unfortunate province, was not wanted.

The Anglo-Irish agreement was an attempt to improve relations between the two countries but how the aspirations of those who drafted the agreement have fallen. More than 20 people have died in terrorist killings in the past month. Local politicians still have no real power; there has been no cure for Northern Ireland's insularity.

As the European Community twists towards a boundary-less continent and eastern Europe addresses nationalist issues on an incomparable scale, Northern Ireland remains fixated on points of principle.

There may have been some progress. Northern Ireland Office and Dublin officials point to a recent, subtle, change of mood. But to the nationalist in the West Belfast pub, to the middle-class protestants on the expanding housing estates, the flags and prejudices still fly as before.

Garret Fitzgerald and Margaret Thatcher signing the 1985 agreement to improve security links

"Talks about talks," masterminded by Mr Brooke, have progressed in the past year, only to be blocked by arguments over Dublin's involvement in a process which may replace the agreement.

For Unionists – many of whom under the agreement have joined nationalists in their alienation from the British government – it is only to be expected. "Apart from its failure to deliver peace, stability and reconciliation, it is quite clear that the two governments are at loggerheads in public," says Mr James Molyneaux, Ulster Unionists' leader.

What has undermined the agreement is a combination of human error, character and Irish history. The agreement's genesis was Mrs Margaret Thatcher's election to office in 1979. At summits in the early 1980s with Mr Charles Haughey, Irish Teoiseach (prime minister) and his successor, Mr Garret Fitzgerald, the two governments moved closer towards formal political co-operation.

Mrs Thatcher was prepared to examine the "totality of relations within these islands". The phrase signalled that Northern Ireland's solution was not just a matter of how government should be organised in the province, but that it would also embrace relations between north and south and between London and Dublin.

Her emollient stand reflected a desire to find a practical, reasonable way forward. The Republican hunger strikes of 1981 and Ireland's criticism of Britain during the Falklands conflict strained British/Irish relations. The UK, too, was under pressure internationally for its seemingly imperialistic grasp on Northern Ireland.

In November 1984, Mrs Thatcher rejected with a dismissive "out, out, out", proposals for a united Ireland, a confederation of two states or joint authority, put forward by the New Ireland Forum of nationalist parties. A year later she signed an agreement giving the Irish republic a voice in running the affairs of the province, anxiously making clear there was no question mark over British sovereignty.

The agreement set up an inter-governmental conference to discuss politics, security, the administration of justice and cross-border security. A secretariat of officials from the two governments was established just outside Belfast.

The deal won backing from the nationalist Social Democratic and Labour Party, which seeks a united Ireland through peaceful means. But for the provisional IRA, with its vision of overthrowing the established order and creating a new Republic, there was no reason to lay down its arms.

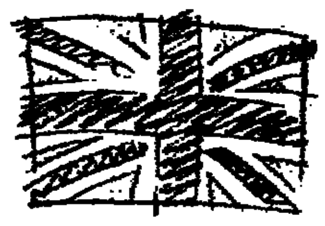
The Northern Ireland Office was taken aback at the force of protest from Unionists.

That anger remains, even if its physical manifestation on the streets does not. The agreement is perceived as a step towards British withdrawal – even if it says there will be no change in Northern Ireland's status without the consent of a majority. Loyalist defensiveness is mixed with insecurity and a sense of betrayal. A suspension of the conferences and secretariat have been made pre-conditions for round-table talks.

"There is no doubt that the Anglo-Irish Agreement has the capability to take Northern Ireland out of the hands of the UK," says Mr Peter Robinson, deputy leader of the Democratic Unionist Party.

The result is continuing stalemate. The commitment of both governments to setting up a devolved government "on a basis which would secure widespread acceptance throughout the community" has proved as elusive as ever.

BRITAIN IN BRIEF



£250m power station for Wales

A £250m electricity generating power station is to be built in Wales, according to the department of energy.

The 450 megawatt gas turbine station, the first in Wales, is backed by Asea Brown Boveri and will be developed by independent developers Deeside Power Development Company whose team is also behind the Lakeland power station at Roosecote in Cumbria, northern England.

UK skills for Soviet Union

Britain is to set up a skills and expertise fund to help the Soviet Union's recovery from its growing economic problems, foreign secretary Douglas Hurd said.

The fund, worth £20m over two years, will be in addition to a fund for the rest of eastern Europe whose budget will be doubled from the start of the next financial year to £30m.

Douglas Hurd: previously resisted direct aid

Mr Hurd has previously resisted direct aid for the Soviet Union and eastern Europe on the grounds that it could amount to nothing more than pouring money down a hole.

Mr Hurd said the fund would be aimed initially at four key economic sectors: food distribution and agriculture; energy; the formation of small businesses; and financial services.

Greens' attack rejected

Claims by environmentalists that Britain is to back mining and the exploitation of Antarctica have been rejected by foreign office minister Tristan Garel-Jones.

Tristan Garel-Jones: UK aims 'to achieve consensus'

Mr Garel-Jones said that preservation of the area was of prime importance and that Britain's support for a mining convention in the region started years before concern for the environment became popular. The aim then as now was to achieve consensus – not give the go-ahead to companies to start mining, insisted Mr Garel-Jones.

Scientists say the region, which is home to countless wildlife, must be saved for research.

Charity giving drops sharply

Public support for charities has slumped, with a severe drop in average donations and a growing number of people giving nothing at all, according to figures published by the Charities Aid Foundation.

The foundation's annual survey of charitable giving shows that the median individual donation was £1.28 per month in 1989-90, compared with £1.97 in 1988-89. Last year's figure was even lower than 1987-88, when it was £1.40.

Alexandra Palace debt

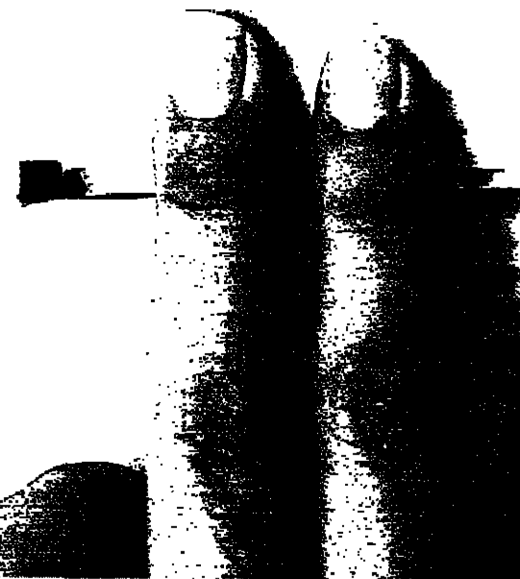
Alexandra Palace, one of north London's best-known landmarks, is set to embrace private sector leisure developments in an effort to clear debts of £31m resulting from heavy cost overruns after a fire in 1980.

A report by consultants KPMG Peat Marwick McLintock suggests that the palace, built as an exhibition and event centre in 1873, could improve its finances by developing facilities such as a golf course, 10 pin bowling alley and a night club.

Jaguar, the British luxury car maker, has announced the most expensive "supercar" ever to be offered for sale – the £500,000 JaguarSport XJR-15 (pictured above).

It has been developed and is being sold through JaguarSport, which is half-owned owned by Ford, the US motor manufacturer, and half by TWR, an independent engineering and racing group which operates Jaguar's racing activities and carries out research and development for the company.

The 202-mph car is developed directly from Jaguar's Le Mans-winning XJR-9 racing car. Only 50 are being built and the company said most are already sold. Most will be used for a three-event racing series next year with a £1m prize fund.



هكذا من الأصل

ECONOMIC AND MONETARY UNION

Spectre of federal Europe raised by cabinet minister

By Philip Stephens, Political Editor

A WARNING that the European Community's plans for economic and monetary union would lead inexorably to political federation was delivered yesterday to Mr Norman Lamont, the chief secretary to the Treasury.

In a speech which was strongly supportive of Mrs Margaret Thatcher's opposition to the imposition of a single currency, Mr Lamont said that the issues involved went "to the heart of government".

Speaking to the Bruges Group, an anti-federalist pressure group, Mr Lamont said the issue of a single currency was the most important constitutional issue to face Britain since it first joined the Community in 1973.

He said that there were few examples in history of a currency union without a political union, and dismissed the suggestion that fear of a federal Europe was a "mere chimera".

Monetary union would lead inevitably to pressure for each nation's fiscal policy to be operated also on a continental basis. "When we talk of fiscal policy we are talking about decisions on public expenditure and taxation that go to the heart of government; and

Lamont: backs hard Ecu

are the essence of government".

It would impossible, however, to imagine a European government in the near future when there were not even European political parties. "A council of ministers from different states and different parties does not come close to being a government", he said.

Mr Lamont said that the economic convergence needed for a single currency remained to a large extent a "mirage", with big divergences in inflation and interest rates and in budget balances. Those differences might be suppressed for a time by the imposition of a single currency, but only at the cost of rising unemployment in countries handicapped by inflexible economies.

"These are not questions that can be swept under the carpet or brushed aside as some siren voices seem prepared to do. They need to be addressed in the clearest possible way and that is what Margaret Thatcher is doing", he said.

He also dismissed the argument that a single currency would involve significant savings in transaction costs for business and commerce, citing the experience in the US where clearing cheques between states remained expensive.

Mr Lamont insisted that the government's alternative approach to economic integration – through the establishment of a common currency based on a hard Ecu – provided a way forward that could be acceptable to all 12 community states.

Mrs Thatcher's vision, he said, was supported by the entire cabinet and by the overwhelming majority in the Conservative party.

Slowdown forecast for leading industrial countries

By Peter Norman, Economics Correspondent

THE economic slowdown among Britain's leading trading partners will be much sharper next year than in 1990 as high interest rates restrain domestic demand and inflation erodes spending power, the Bank of England said.

In its quarterly bulletin, the Bank forecast that economic growth in the other six members of the Group of Seven leading industrial countries will slow to an average 1.9 per cent in 1991 from 2.8 per cent this year before recovering to 2.5 per cent in 1992. It said growth of business investment in the US, Japan, western Germany, France, Italy and Canada would slow sharply to just under 2 per cent in 1991 after two to three years of relatively strong growth.

Next year's sluggish growth – which still compares favourably with last week's UK government forecast of 0.5 per cent growth in Britain – should reverse the present upward inflation trend.

The Bank said it expected consumer price inflation among the six would average 4.5 per cent in 1991 after 4.3 per cent this year. Tight monetary and fiscal policies will be required to maintain the downward trend in inflation in 1992, when the Bank expects their consumer prices to rise by an average 3 per cent.

The Bank gives highlights of its forecasts rather than a detailed breakdown for the six nations. Among these, it says:

- Strong demand for west German goods in eastern Germany will help push western Germany's inflation rate up to 3.75 per cent next year.
- Growth of US gross national product will fall to around 1 per cent this year and next before recovering to around 2 per cent in 1992. US consumer spending is forecast to rise by only 0.25 per cent next year compared with 2 per cent in 1989 and 1 per cent in 1990.
- Japan will contribute strongly to overall world growth despite a fall in domestic demand growth to 3 per cent next year after 6.25 per cent in 1990.

Bank issues blunt warning on unemployment

By Peter Norman, Economics Correspondent

THE BANK of England yesterday gave a blunt warning that UK unemployment will rise sharply if wage negotiators agree pay increases that compensate for the effects of a temporary rise in oil prices on living standards.

In its latest quarterly bulletin, the Bank said it was very important that pay bargainers recognise that UK membership of the EMS exchange rate mechanism (ERM) not only severely restricts the scope for depreciation of the pound but that "temporary shocks to recorded inflation, such as the oil price increase, should not become embedded in underlying growth of labour costs."

Employers matching past rather than prospective price rises, when the government has forecast a sharp fall in the annual inflation rate to 5.5 per cent by the end of 1991, "could find their profit margins seriously squeezed.

"Attempts by employees to maintain, through higher nominal pay, the real value of private consumption in the face of what may prove to be temporarily higher oil prices, would be self-defeating," it added.

In its bulletin, the Bank said that the slowdown in the British economy will be steeper and more prolonged into 1991 than previously thought.

This is because activity in the first half of 1990 was considerably more resilient than expected. In addition, growth in world export markets is expected to slow because of the oil price rise, leading to a slowdown in UK export growth and output. Finally, sterling's recovery since April this year, although welcomed by the Bank for its counter inflationary effects, will tend to restrain British exports.

The Bank acknowledged that Britain, as a net oil exporter, will be somewhat better placed to withstand the oil price rise following Iraq's invasion of Kuwait than other industrialised countries. The UK current account balance of payments is unlikely to deteriorate significantly.

But the loss of UK non-oil output as a result of the oil price rise "is unlikely to differ much from the loss of output elsewhere," the Bank said.

The Bank said that if companies fail to recognise the constraints imposed on them by ERM membership "the outcome will prove painful for them." Heavy borrowings have increased the financial fragility of the UK company sector to a point where adjustment might now be urgent, the Bank said. This was suggested by a rising number of liquidations.

It underlined that with Britain in the ERM "it is imperative that this adjustment should be concentrated as fully as possible on containing costs." Big cuts in investment would imperil the further prosperity of the company sector.

The Bank made clear its concern that the slowdown in UK output and demand growth has not yet significantly eased tightness on the labour market.

Worries that demographic trends might create chronic labour shortages in the future could be adding to wage pressures and encouraging employers to retain labour.

The bulletin was written before yesterday's news of a 32,000 increase in seasonally adjusted unemployment in October. This rise, which Bank economists hope might exercise some restraint on wage increases, compares with average monthly falls of 34,000 though 1989 and a monthly average rise of 60,000 in unemployment in 1980.

Bank of England Quarterly Bulletin, Vol 30, number 4. Subscriptions and single copies from Economics Division, Bank of England, London EC2R 8AH.

LEADERSHIP CONTEST

Defiant Thatcher says she will stay

By John Mason

Mrs Margaret Thatcher, the prime minister, yesterday demonstrated her determination to fight off Mr Michael Heseltine's bid for the leadership of the railing Conservative Party.

She told MPs she intended to continue in office and attacked her challenger's plans to reform the poll tax – the new local tax which pays for amenities and services.

Making her first House of Commons appearance since the former Defence Secretary officially announced his leadership bid, the prime minister faced opposition Labour Party challenges on both the poll tax and Conservative divisions over Europe, the two main issues on which the contest is being fought.

During Commons questions, however, loyalist Tory backbenchers responded by congratulating Mrs Thatcher on her achievements during 11 years in office.

The prime minister faced her most direct challenge over the leadership contest from Mr Paddy Ashdown, the Liberal Democrat leader. He reminded her that five years ago she had said that by now she would have stepped down as leader because it would be time to pass the torch on.

Mrs Thatcher responded: "That was not the foremost thing in my mind at the present time. After three general election victories leading the only party with clear policies resolutely carried out, I intend to continue".

She faced an attempt by Mr Neil Kinnock, the Labour leader, to exploit the differences over Europe which have fuelled the leadership contest.

He twice challenged Mrs Thatcher to admit that Sir Geoffrey Howe, who quit as deputy prime minister on November 1, was right in claiming she had agreed to the Madrid conditions for entry into the Exchange Rate Mechanism (ERM) only after he and Mr Nigel Lawson, the former Chancellor of the Exchequer, had threatened to resign.

Mrs Thatcher refused to answer directly, saying only that the undertaking to join the ERM was longstanding and went back to 1979. She had said many times that Britain would join when the time was right.

Mr Bill Walker, the Conservative backbencher, defended the government's economic policies. In his Tayside constituency, unemployment had fallen and wages risen in real terms, showing the government had acted correctly.

Leader, Page 19

Rivals follow Tory race with interest

By Ivo Dawnay

THE Cheshire Cat grins that have graced the faces of opposition Labour MPs since the Tory leadership race began disguise a high measure of vested interest in the outcome.

Officially the party managers express a haughty disregard for the Conservative turmoil around them. As one put it: "In our view, it is irrelevant who is leader. They are all guilty and they all have to defend the government's record – high inflation, high interest rates and unpopular policies."

Nevertheless, in the anonymity of private conversations, there is acute awareness that some potential leaders are more attractive as opponents than others.

Those Tory MPs who still regard Mrs Thatcher as an election-winning asset win the highest approval rating on the Labour benches where the near unanimous conviction is that she is quite the reverse.

After Sir Geoffrey Howe's speech, cautious Labour MPs admitted that "on balance" the best outcome for their party would be that the prime minister held on to the leadership after a damaging battle, but was fatally wounded.

Now with Mr Heseltine's candidacy up and running, the franker of the Tories' opponents are almost wishing the PM well. If she is too badly mauled she could still be removed at a later date before the next election, goes the argument.

Mr Tony Benn, the veteran left-winger for one, publicly laments that his party has focused its attacks so specifically on Mrs Thatcher's personality and ideology over the years rather than the broader target of conservatism.

"One of our greatest weaknesses in continually attacking the Tories as Thatcherite is that when Thatcher herself goes what are we left with?" he asked.

Others dismissed this view, arguing with the party leadership that it was the Conservatives and their policies that would be condemned by the electorate at the ballot box.

"In the end it is not personalities that people look at but bread and butter issues like the poll tax," one Labour front bencher said.

Nevertheless, many opposition MPs agree with poll findings that a change in the Tory leadership could have a considerable bearing on the next election.

Opinions were deeply divided, however, as to who would make the most formidable opponent. "If it were Douglas Hurd, we could condemn him as a long-standing collaborator with the prime minister," said a party official.

"Michael Heseltine has the advantage of being a glamorous personality who has been out of power long enough to have distanced himself – he is also on the record as opposed to the poll tax."

A colleague disagreed: "Heseltine can be accused of some of the things that Neil Kinnock is attacked for – like volatility. Hurd is a dramatic contrast – concise, calm, the ultimate diplomat politician." The Tories' discomfiture will continue to warm the hearts of their opponents. So too will the visceral pleasure in the thought that Mrs Thatcher – for 15 years their arch-enemy – might finally be within days of being unseated.

The more contemplative, however, would prefer to do the job themselves at a general election.

FT LAW REPORTS

Fee concessions for private school employees are taxable

PEPPER v HART
Court of Appeal (Lord Justice Slade, Lord Justice Nicholls and Lord Justice Farquharson): November 13 1990

THE COST of the benefit of fee concessions to school employees whose children attend the school, is calculated for tax purposes not by reference to additional expenses incurred by the school directly as a result of each child's attendance, but to the rateable proportion of general running expenses incurred in respect of each child, irrespective of whether his place was provided out of surplus capacity at no additional cost to the school.

The Court of Appeal so held when dismissing an appeal by 10 employees of Malvern College, from Mr Justice Vinelott's decision that they were assessable to tax on school fee reductions made in respect of their own children.

LORD JUSTICE NICHOLLS said that Malvern College was an independent school for boys. Masters were not charged full fees for the education of their sons at the school. They were required to pay one-fifth.

Nine assistant masters and the bursar, each with sons at the school, appealed against assessments to income tax under Schedule E in respect of the years 1983-84, 1984-85 and 1985-86.

During those three years the total number of boys attending the school averaged just over 600, mostly boarders. The presence of sons of staff resulted in additional direct costs, such as food, laundry and stationery, which was amply covered by the reduced fees.

The general running expenses of the school, such as salaries, insurance, building maintenance, were about £3m a year.

Those expenses would have been the same if the sons of staff had not attended the school. Their presence did not increase expenses, and their absence would not have reduced them. No extra staff were employed because of their presence, and no fewer staff would have been employed had they not attended.

Nor was any boy taking a place which *would otherwise* have been filled by a boy paying full fees. The school's capacity was 625 boys. The school was not full to capacity. Had sons of staff not been admitted as pupils, the places would have been left empty.

The issue was whether the "cost" of the benefit enjoyed by *staff* comprised, *as the staff* claimed and the special commissioner held, additional direct costs; or whether, as the Revenue contended and Mr Justice Vinelott held, it included a rateable proportion of the general running expenses. If the special commissioner was correct, no tax was payable because the reduced fees exceeded the additional direct costs.

If the judge was correct, substantial amounts of tax were payable, because a rateable apportionment of the relevant expenses would produce a figure close to the ordinary school fees.

The relevant statutory provisions were section 61 and 63 of the Finance Act 1976. They had now been replaced with amendments immaterial for present purposes, by section 154 and 156 of the Income and Corporation Taxes Act 1988.

Section 61 charged to tax under Schedule E a wide range of benefits provided for the employee or *his family* by reason of his employment.

The section treated as emoluments of his employment "an amount equal to whatever is *the cash equivalent of the benefit*". By section 63(1) the cash equivalent of any benefit chargeable to tax under section 61 was "an amount equal to *the cost of the benefit*". By subsection (2) the "cost" of a benefit was "the amount of any expense incurred in or in connection with its provision, and . . . *includes* a proper proportion of any expense relating partly to the benefit and partly to other matters".

Benefits in kind could be divided broadly into two categories.

First, there were "external benefits", where the benefit was not directly related to the employer's business, such as provision of a car by an employer not involved in the car industry. Private medical insurance was another example.

Second there were "in-house benefits", where an employer carried on business, whether for profit or not, providing goods or services or facilities, and permitted employees to acquire those goods or use the services or facilities at a reduced price. Examples were airlines, car manufacturers, and retail shops and stores.

Malvern College fell into that second category. When taxing benefits in 1976 parliament adopted a formula which looked, *not at the value to the employee* of what he received, but at the expense incurred by the employer in providing the benefit.

No particular difficulty arose in applying the statutory formula in section 61(2) in the case of external benefits. The expense incurred by the employer in acquiring the goods or services or facilities which he was providing for the employee should be readily identifiable.

If the benefit comprised *a* facility which he maintained for use by his employees, such as a swimming pool, the statutory formula required that maintenance expenses were apportionable between all relevant employees. The expense incurred in providing that benefit for a particular employee was a proper proportion of the expense incurred in maintaining the pool for the benefit of that employee and other employees.

Likewise, with one exception, there was no particular difficulty in principle in applying the statutory formula in the case of in-house benefits. The employer incurred expense in acquiring stock-in-trade, whether it was goods, services or facilities. If he made that stock available to his employees at discounted rates, the statutory formula applied to the expense incurred in providing the goods or services or facilities in question. Depending on the facts of the particular case, that expense would include an element in respect of overheads or general running expenses, as well as the price paid or expense directly incurred in acquiring the goods.

The point which caused some initial difficulty concerned cases, such as the present, where the benefit was an in-house benefit and consisted of the use of surplus capacity.

In the case of an airline which permitted staff to travel free in unoccupied seats, if a man in the street were asked how much the benefit cost the employer, his answer would be "nothing". The seat on the plane would have remained empty and wasted. The airline incurred no expense in permitting an air hostess to occupy it.

That approach looked at the question from the wrong angle. The statutory formula was *not* concerned with what the employer lost by providing the benefit. It was concerned with the expense incurred by him in providing the benefit. The *fact* that an in-house benefit comprised use of surplus capacity did not, of itself, affect the "expense" calculation which the statutory *formula called* for.

The benefit enjoyed by the bursar and assistant masters consisted of the opportunity for their boys to have a *place* in the school and make use of school facilities.

Each place cost the school as much as every other place. *Thus the expense incurred* by the school in providing that benefit for any one member of the staff, such as the bursar, was a proper proportion of the general *running expenses of* the school, since those expenses related partly to the benefit provided for the bursar and "partly to other matters".

The appeal was dismissed.

Lord Justice Farquharson agreed.

Lord Justice Slade, giving a concurring judgment, said the conclusion had wide implications for employers who made "perks" available to employees, and for those employees themselves.

It seemed harsh that tax might make it impossible for a master to take advantage of the privilege of reduced fees.

But the potential harshness perhaps went even further than that.

First, in some circumstances if a school was running at a loss emoluments of employment would be treated as including a sum greater than normal school fees.

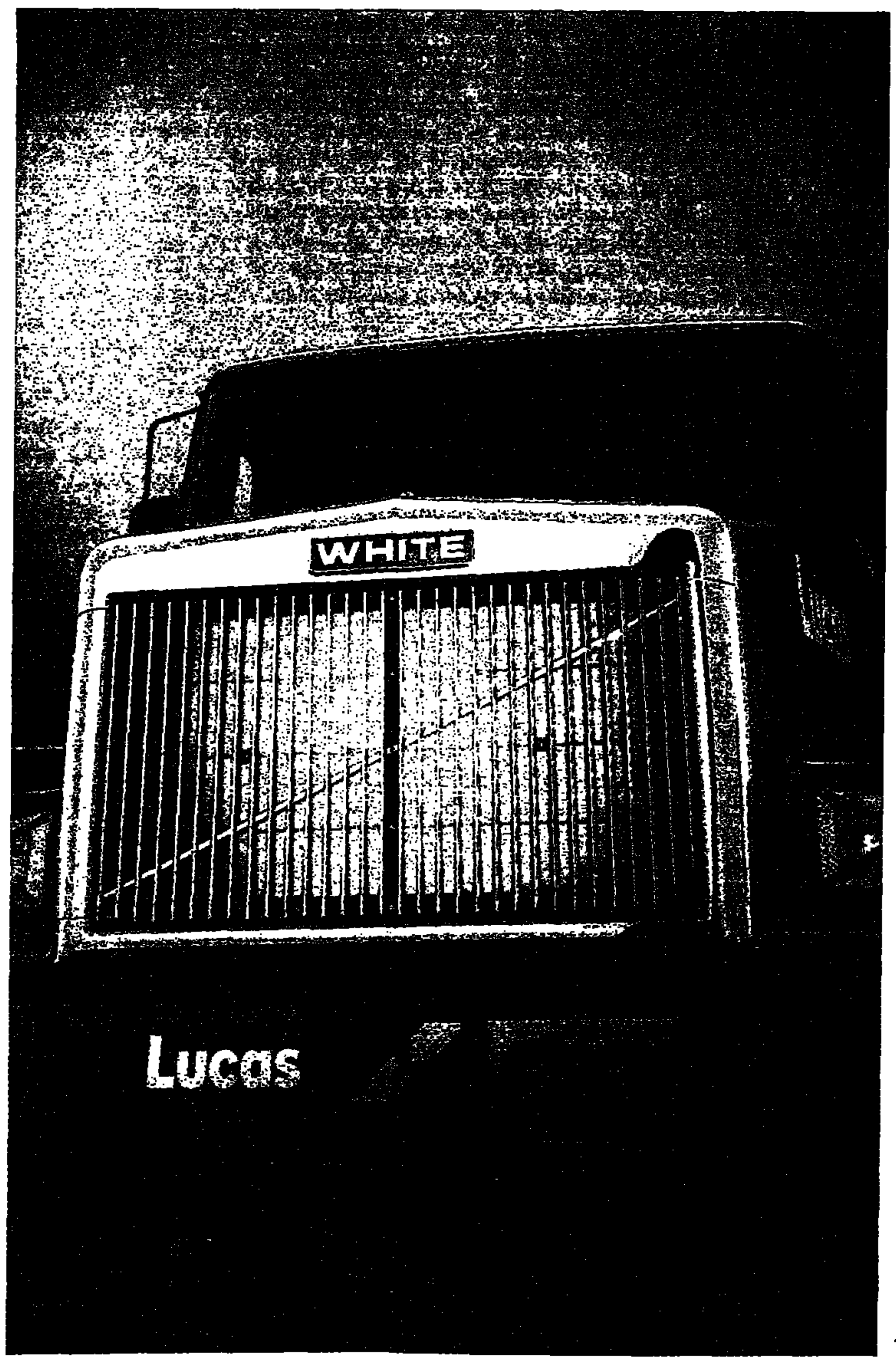
Second, calculation involving consideration of overhead expenses could well involve formidable work and expense. The onus would normally fall on the employee to displace the original assessment. The larger the employer's organisation the larger the scope of the investigation and consequent expense might be.

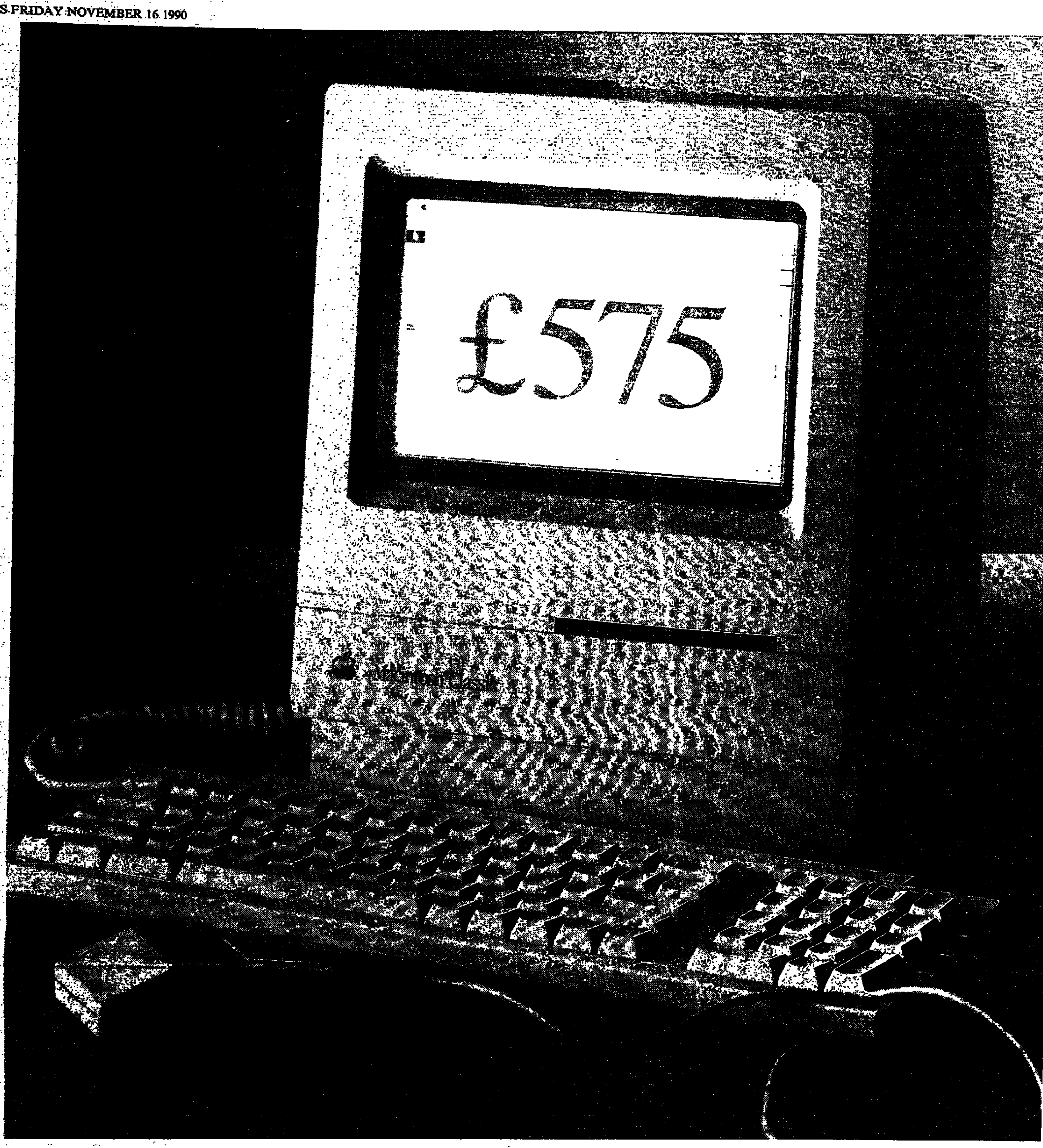
Third, his Lordship suspected that the legislature in drafting section 63(2) was simply not directing its mind to the case where an employer, whose business consisted of the provision of services to the public, conferred on employees a benefit consisting of the use of surplus capacity in those services. For all that, the subsections had to be applied as they stood. Mr Justice Vinelott's interpretation of their effect was inescapable.

For the taxpayers: Stephen Oliver QC and Jeremy Woolf (Jagger Son & Tilley, Birmingham).

For the Revenue: Alan Moses QC and Timothy Brennan (Inland Revenue solicitor).

Rachel Davies
Barrister





Objection overruled.

Everyone appreciates the fact that the Apple Macintosh is easier to use than any other personal computer.

Everyone appreciates its startling versatility. It will tackle a simple word processing task one minute, design a complex manufacturing process the next.

And everyone appreciates the superior way Macintosh integrates into all manner of alien computer life.

No, the thing we were constantly ribbed about was the price, the price, the price.

We heard you. And the brainpower that created the original Macintosh has now designed a new range of low cost models.

At £575 the Macintosh Classic™ is not only compact, and transportable, but complete.

At £1,495 the new Macintosh LC provides you with low cost colour. 256 shades of it.

While at £2,985 the new Macintosh IIsi offers you outstanding levels of performance, versatility and expandability. There are four other, more sophisticated models in the Apple range. And other new, lower prices.

So, whether you are looking for the best entry level computer, brilliant graphics or complete flexibility, there is now a competitive Macintosh model available.

For a brief, fill in the coupon or call Freefone Apple. We will send an information pack containing literature on the whole range.

Alternatively, we will be happy to ask your local Apple dealer to organise a trial.

You be the judge.

Please send me more information about Apple Macintosh personal computers. Post to: Naomi Lennon, Customer Care Administrator, Apple Computer U.K. Limited, FREEPOST. Information Centre, Riverside Suite, Bishop's Palace House, Kingston, Surrey KT1 1BR, or dial 100 and ask for Freefone Apple.

Name ____________ Title ____________

Organisation ____________

Address ____________

____

Postcode ____________ Telephone ____________ FT3

Apple™ Macintosh™ The power to succeed.

MANAGEMENT

Qantas looks for blue skies after turbulence

Paul Betts examines the Australian airline's plans to strengthen its balance sheet in readiness for partial privatisation

There is a laid-back atmosphere in the executive suites of the Qantas skyscraper towering over the beautiful bay of Sydney. But this is deceptive; since Bill Dix and John Ward took over as chairman and chief executive, respectively, ten months ago, life at the top of Australia's state-owned international airline has been anything but relaxed.

Although not directly involved in the bitter five-month long domestic pilots' dispute last year, the strike had severe repercussions for Qantas. "It damaged Australia as a tourist destination. We lost 18 months to two years of growth because of the strike," says Ward. "We had three years of 25 per cent per annum growth and then the pilots' strike sent it back to minus 9 per cent," adds Rodger Robertson, the airline's corporate planning manager.

The impact of the strike will be translated in the operating loss Qantas expects to report for the first half of this year. But just as the scars from the strike were starting to heal, the economic downturn in Australia and the threat of recession worldwide coupled with soaring fuel prices have again clouded the horizon. "If it had not been for the recent rise in aviation fuel costs, we would now be operating profitably again," Dix says.

As if all this was not enough for a new top management team to cope with, the government announced in September its intention partly to privatise Qantas by selling a 49 per cent stake in the international carrier at the same time as privatising Australian Airlines, the state-owned domestic carrier. The decision was welcomed by Qantas management, but it could not have come at a more difficult time.

The partial sale of Qantas, which many in the industry expect to be followed in a few years' time by full privatisation, is expected to lead to a significant realignment in the fast-growing Asia-Pacific air travel market. But before this happens, Qantas must put its strategy in place and its own house in order to be ready to support a sensibly managed flotation, says Dix.

To achieve this, Qantas will have to maintain its reputation as a quality carrier at the same time as bringing down its costs to the level of its Asian competitors. "It is this combination of cost and service which is crucial. That is our big challenge," says Julian Hercus, deputy chief executive. Before the privatisation announcement, Qantas had been campaigning for a sizeable A$1bn capital injection to help restructure its heavily geared balance sheet, which is burdened by a 80:20 debt-to-equity ratio, and finance its ambitious fleet renewal and expansion programme. This will involve doubling the fleet of Boeing 747 jumbos and Boeing 767 twin-engine aircraft to 80 airliners by the turn of the century.

However, both Dix and Ward concede that the moment is not ripe for the 49 per cent sell-off. "Early 1992 looks like a more likely and desirable timing. It will clearly depend on events. But I expect the Australian economy should be improving a bit by then. Hopefully the Middle East problem will be resolved and the airline will be operating profitably," says Dix, whose career includes a long spell with Ford.

Ward believes Qantas should seize the opportunity that will present itself in the next decade. "The Asia-Pacific basin and its fast rate of growth carry enormous opportunities for us," he explains. "For 70 years geography has not been our friend. It now looks as if it is working to our advantage. In Asia, a middle class has emerged only recently. Its new-found wealth means people will spend a large part of their disposable income on self-indulgence and air travel."

But while there is an opportunity for growth for Qantas, the problem is that Australia enjoys a western standard of living and the work practices and remunerations that go with it. "This makes it tough to compete, especially against Asian carriers with low costs and high standards of service. There will have to be some fundamental restructuring of Qantas and Australian business in general to make us more competitive," Ward warns.

In preparation for its partial privatisation, Qantas has already begun pulling costs out of the organisation. It has frozen employment and Ward says that some job reductions might also be necessary. Already 60 out of 400 senior management jobs have been cut. Last week the airline announced plans to cut 500 jobs to bring its workforce down to 16,500 people by the end of February.

In another rationalisation move, Qantas recently restructured some of its least viable international operations, suspending services from Amsterdam, Athens, Bombay and Bahrain to redeploy resources on the more profitable routes linking the most important tourist generating markets with Australia. It is now planning to reduce flying hours by 14 per cent in its current financial year ending next June because of the general slowdown in air traffic.

The other challenge for Qantas is to adapt to the changing nature of the world airline business, which has seen a growing trend of consolidation throughout the industry. International airlines have been scrambling to form alliances and partnerships to create global networks capable of competing against rival airline "clubs". The most common arrangements have involved commercial and marketing agreements but an increasing number of carriers has sought to cement their ties by swapping equity.

Qantas is now considering forging a set of new alliances. "This will lead us in two directions. The first will involve forming associations with other airlines outside Australia. The second is the need to strengthen our position in our own backyard," explains Ward. In both cases, partial privatisation will provide Qantas with equity it can trade to help reinforce its new alliances.

The immediate priority is to boost the airline's home base. In its regional market, Qantas has already invested in a 20 per cent interest in Air New Zealand and in a stake in Fiji-based Air Pacific. "The missing bit is an investment in a domestic Australian airline," says Ward. With the deregulation this month of domestic air transport in Australia and the government's decision to sell 100 per cent of Australian Airlines, Qantas now has that opportunity.

Qantas has two viable domestic targets. One is Australian Airlines; the other is Ansett, the domestic carrier jointly owned by the TNT transport group and Rupert Murdoch's News Corporation. Although Ansett has publicly stated that it was not interested in a new equity partner, Ward believes the situation could well change. "News Corporation and TNT are not having as smooth a run as they might like. I think they will have to decide whether they will want someone else in their capital," says Ward.

As for Qantas itself, partial privatisation is likely to see one or two foreign carriers investing in minority stakes in the Australian international flag carrier. "We will want a longstanding relationship with at least one flag carrier in Europe, one in Asia and probably Japan, and one in the US. But not all need be equity-based relationships," Ward explains.

Qantas already has a marketing agreement to link its flights to the US into American Airlines' domestic network as well as commercial ties with Japan Air Lines and a cargo link-up with Lufthansa. It has also been talking to Singapore Airlines and appears interested in a possible alliance with British Airways.

After a run of profitable years, Qantas expects this month to report an operating loss for the year to June 1990 as a consequence of Australia's long domestic pilots' dispute

Up among the high-flyers

Hilary de Boerr explains why a conservation charity feels the need to adopt an aggressively commercial approach

"Job vacancy: chief executive for fast-growing corporation with 580 staff and income of £22m; no threat of takeover or bankruptcy; HQ in 19th century mansion in 100-acre nature reserve with heron, kingfishers and woodpeckers for neighbours."

The Royal Society for the Protection of Birds has just concluded its hunt for a very rare species – its first chief executive. In mid-January, Barbara Young will leave her post as general manager at Parkside Health Authority in London to join the high flyers in upper management at Europe's largest wildlife conservation organisation.

Young will be managing a charity that over the past decade has developed from a small organisation to a "business" in its own right.

Membership has almost trebled to 827,000 members and annual income at £22.4m is nearly ten times higher than it was in 1980. The society has a successful retailing operation; it has growing links with the financial services industry; and has substantial investments.

The RSPB has become noticeably more "professional" over the past couple of years. Increased public awareness of environmental issues has boosted membership income – from £4.9m in the 1987 financial year to £6.1m last year – while the tight economic environment and increased competition from other charities has introduced business buzz words like "cost-cutting", "efficiency", and "priorities".

This trend is likely to continue under Young. The RSPB expects to be three or even four times its present size at the end of the decade, with membership subscriptions growing at an annual rate of 150,000 people.

The job in hand – that of conserving wild birds and the environment in which they live and breed – is also growing apace. The amount of UK land needed to be in "sympathetic ownership" is two and a half times the present figure that conservation bodies are currently buying, according to the RSPB. The potential cost to conservation bodies of protecting sites worldwide makes that scenario pale into insignificance.

The RSPB operates from stately headquarters in Bedfordshire at The Lodge, Sandy – a hive of activity contrasting greatly with the peace of the surrounding countryside. Tucked away in the converted bathroom is David Gordon, RSPB finance director for the past three years.

A qualified chartered accountant who has worked in both commerce and industry, Gordon has a particularly no-nonsense approach to this job. He believes most industry is potentially damaging to the environment: trying to persuade industry by talking to it is better than blacklisting certain companies; and industry can be used to help raise further funding for the RSPB.

During his tenure, Gordon has concentrated on shaking up departments to make the organisation more efficient and on finding new sources of money to help finance the growing demands it faces.

A new marketing department has been created by merging the old fund-raising and membership departments, and has seen a phenomenal increase in staff members – from 21 to 61 in the past two years. The department's job is to raise the necessary finance to run the business year on year by targeting existing members, potential new members, and the corporate world.

Links with finance and industry have been strengthened, helped by the fact that companies want to be seen to green. Companies can now get involved with the charity through straightforward donations, by sponsoring events or projects, or by entering an affiliation scheme. With the latter, the RSPB endorses a product – such as a brand of wild bird-food – and receives either a lump sum or a percentage of sales.

The charity has also moved into the realm of financial services, following the decision to use one of its most important assets – providing access to a huge membership base weighted heavily in the coveted ABC1 income bracket.

The society introduced the RSPB credit card two years ago in association with the Co-operative Bank and benefits by receiving from the Co-op a percentage of all purchases made on the cards, as well as a £10 sum every time a new card-holder signs up. The RSPB does not actually sell its membership list: it gives the Co-op access to nearly 1m members by including the credit-card offer in its mail shots.

The card has been so successful – raising more than £350,000 for the charity – that in September the RSPB launched a high-interest deposit account, again with the Co-op and with similar financial benefits for the charity.

A further source of income is the RSPB's nest egg – cash and stock market investments worth about £9m.

Here, Gordon maintains his no-nonsense approach, placing few constraints on what the RSPB invests in.

"Most sectors of industry are potentially damaging to the environment and it isn't possible to have a portfolio of companies which cause no damage to the environment – that's pie in the sky.

"Our judgment hinges on whether the company is trying to limit the damage."

The RSPB may be practical in extending its financial links with industry, but it does draw the line at times. The charity recently gave back a £2,000 donation from Shell because it deemed a particular action by the oil company had shown "blatant disregard for the environment".

Not all bird-lovers have been happy with the society's decision to widen its sources of income. Gordon admits a "trickle" of members have been lost on the grounds that forays into finance and industry are incompatible with the RSPB's aims. Gordon stands firm, however. "We're in business to conserve birds and my job as finance director is to raise as much money as possible so that we can do as much bird conservation work as possible... If we sat around and said we are not going to be commercial, we'll just wait for people to give us money – we would wither away and die."

هكذا من الأصل

هكذا من الأصل

Encouraging signs amid gloom

By Vanessa Houlder

COULD IT be the end of the bear market in property shares? After two years of dismal underperformance, they *have raced ahead in recent* weeks.

Since the start of October, the Datastream index of property shares has risen by 8.5 per cent against a 0.8 per cent change in the FT-A All-Share index.

On the face of it, reasons to be cheerful are in short supply. In spite of the initial euphoria, the base rate cut has done nothing to enliven the direct property market. Entry into the exchange rate mechanism of the European Monetary System was seen as bad news for companies exposed to the industrial sector. And the increasingly gloomy talk of a recession has done little to assuage fears about tenant demand.

Nor have the recent comments by property companies provided much ground for encouragement. *On Tuesday*, Great Portland Estates, confirmed a further reduction in property values and describes the letting market as "patchy". On Wednesday, Regalian said it believed that "difficult condi*tions will prevail for some* time".

None the less, the stock market prides itself on anticipating news, so it is possible that the current rash of gloomy statements and bleak statistics are already discounted. Just as the downturn in property shares started over a year before that of the direct market, equities will be well in the vanguard of any recovery.

That, at any rate, is the view of Smith New Court, which labelled its latest sector review "Light at the end of the tunnel". It is cautiously endorsed by Warburgs which last week switched from a "sell" to "neutral" recommendation.

Evidence of increasing confidence is also supplied by a straw poll carried out by Paribas Capital Markets Group. When 32 fund managers were *asked to predict the level of the* property index relative to the FT-A All-Share index at the end of next year, a majority expected an outperformance of 10 per cent. Only two fund managers predicted a fall. The Scottish institutions, noted for their counter-cyclical investment strategies, were far more bullish than their English counterparts.

In part, the upbeat argument for property shares stems from a *belief that the yields may be* stabilising. In the view of Mr Roger Moore of Warburgs, institutions cannot afford to ignore the ever narrowing gap between yields and the cost of money. Smaller pension funds and family trusts are already showing an appetite, he believes.

Moreover, he thinks that the underperformance of the property sector relative to the FT-A All-Share index has got out of hand. The sector has underperformed by 34 per cent since December 1988, taking the relative index to a 13 year low. Meanwhile the dividend yield *relative to the market has* reached a 23 year high, he says.

At a time when the financial health and dividend growth of other sectors looks precarious, the leading property investment companies may look rather comforting.

"Nothing will stop companies like Slough Estates and Great Portland from putting their dividend up by over 10 per cent a year over the next few years," argues Mr Moore.

Indeed, the rapid progress of the big companies is generally attributed to their positive cash flow and dividend paying capacity rather than a belief that the discount to asset values – although historically very high – has become realistic.

The lack of emphasis on asset values is partly down to disarray among the analysts. Although everyone agrees that asset values are falling, it is hard to make sensible predictions about the size of the fall in the absence of an active investment market.

In addition, there is increasing disquiet about rental values. If rental values fall steeply, wide discount to assets may be justified even though yields are stabilising.

Like assets, there is some confusion hanging over the prospects for rents. Some analysts, such as Mr Carl Gough of *Phillips & Drew, think that the* scale of the decline has been masked by the use of rent-free periods.

None the less, the market is bracing itself for a fall in rents. "The generally expected recession in the later part of this year and the first half of 1991 will reduce the appetite for corporate expansion at a time when the full force of completed developments is about to hit the market. Rents in most sectors will now fall in 1991, if they are not doing so already" predicts County Natwest.

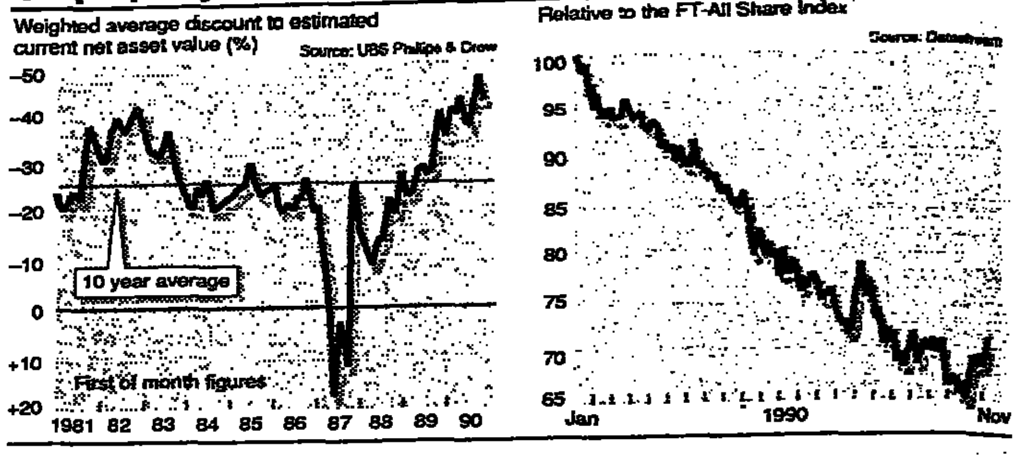
There is then, plenty of scope for bears as well as bulls and no one can be confident that this rally will continue. In any case, even if the stock market continues to support *the largest property shares it* does not hold out much solace for small and medium sized companies. Most of them are as unpopular as ever.

CAPITAL GROWTH (%)

	Retail	Office	Industrial	All Property
Year to Sept '90	-10.7	-8.2	-4.7	-8.6
Quarter to Sept '90	-3.8	-5.2	-3.6	-4.3
Month of Sept '90	-0.9	-1.4	-0.9	-1.1

Source: Investment Property Databank

UK property shares



London: Europe's costliest capital

THE UK, once again, is the odd one out in Europe. While a glut of offices has choked rental growth in London, the costs of working in the continental capitals are storming ahead.

Amsterdam and Milan have seen *the steepest rises in the* world, with prime office rents up by 29 per cent over the year, according to surveyors Healey & Baker. Paris and Frankfurt are close behind with rises of 25 per cent, while Madrid and Brussels clocked up 15 per cent.

For all that, London is still the most expensive capital in Europe by far. Surveyors Weatherall Green & Smith say that City of London rents of £60 a sq ft compare with *£43* in Paris, *£33* in Frankfurt and £35 in Madrid.

Even more striking are the figures that include charges and taxes. In London, it brings the cost of accommodating *a waste paper basket in* a prestigious office up to £88. In Paris, it would cost £53, in Frankfurt £38 and in Madrid £41.

Anyone concerned with maintaining London's pre-eminence as Europe's top business centre might find these figures disconcerting. Although London always has been more expensive than its continental counterparts, the gap widened sharply in 1987 and 1988.

***None the less London still* has considerable appeal as a corporate location. When Healey & Baker commissioned a report on the occupational preferences of multinationals and financial institutions, they concluded that London would maintain its position in the long term, although they also pointed to the growing popularity of Frankfurt, Paris and Brussels.**

They found that North American and far eastern respondents were much more likely to choose London, while European respondents expressed greater uncertainty. London's main strengths are its business climate, financial activities and language.

The variation in office rents within Europe seems trivial when compared with the difference in costs between renting offices in New York and Tokyo. In down town New York, rents are just £22, as a result of oversupply and a continued decline in the number of jobs in the city.

In Tokyo, renting a square foot of space costs £109. There is a shortage of high quality buildings in prime locations, which has been reflected in a 19 per cent rise in rents in the past year, although this is starting to slow.

FOR SALE

Prime West End Development Opportunity LONDON SW1

Freehold Site with Planning for approximately 100,000 sq ft of Offices

Apply in strictest confidence to Box No.A294 Financial Times, One Southwark Bridge, London SE1 9HL

SOLAR HOUSE

DATA CENTRE · HIGH QUALITY OFFICES

1 Romford Rd Stratford London E15

£10 PER SQ. FT.

DATA CENTRE

STRETTONS 081-533 1212

071-796 4000

Richard Ellis

INDUSTRIAL LAND

With River Thames Wharfage facilities

5-28 ACRES FOR SALE

Adjacent M25 West Thurrock

071-629 6290

EXCELLENT INVESTMENT OPPORTUNITY

Luxury Business Centre in London provinces for Sale

Current turnover,including services 400K P.A. on 10,000 sq. ft. of lettable space on 75% occupancy.
Goodwill of operating business for sale. Advantageous lease negotiable and freehold also possibly available to willing buyer.

Please reply to : Managing Director Fulton House Properties Fulton House Empire Way Wembley Middlesex HA9 0TF

Tel: 081-902 8998

BUILDING LAND

3.6 ACRE WITH O/P FOR COMMERCIAL DEVELOPMENT NORTH LEICESTERSHIRE.

OFFERS AROUND £550,000

Write Box A302 Financial Times, One Southwark Bridge, London SE1 9HL

PARK LANE MAYFAIR

Prime Banking & Office Premises

LEASE FOR SALE

5,000 sq ft

Nick Deane — Contact — Nicholas Lamb

DRON & WRIGHT 071-491 7332

TAYLOR ROSE 071 491 1607

---

6 Half Moon Street, Mayfair W1

Attractive Period Office Building.
714 Sq. Ft. to 3,490 Sq. Ft. Approx
TO BE LET

MELLERSH & HARDING 071-499 0866

SOL DESIGN & BUILD

Contact the Construction Team for your future on 0602 613100

CAMBRIDGESHIRE

32½ ACRES

QUINTON EDWARDS

SAVILLS (0223) 322955

Enterprise Zone Developments

100% Tax Relief

FOR INDIVIDUALS AND COMPANIES
100% IBA's are available on Industrial and Business units in two of the UK's leading Enterprise Zones:
CORBY and TYNESIDE
with GUARANTEED construction completion before the end of their designated period - mid 1991.

Investment Opportunities are also available within post '91 zones
Prices range from £70,000 to over £3 million for individual properties

Contact: Claire Hobson
EZD Property Group Plc. World Trade Centre, London E1 9UN. *Tel:* 071 480 7513

Enterprise Zone Developments

CANNON STREET, LONDON EC4

Self contained, air conditioned offices 465-1615 sq.ft. to let as a whole or in floors

Contact:
KEVIN CHAPMAN

PRESTIGIOUS BANKING HALL AND OFFICES ON PARK LANE W1

Self contained banking hall on ground and ancillary offices on first floor. 3400 sq.ft. total.

For further information please call

071-493 1969, Ext. 201

LONDON
BERKELEY SQUARE

Elegantly furnished, luxurious office suites for frequent or infrequent use are immediately available if you require prime London office representation, with full service.

For further details, contact
Fiona Gibbs:
Nightingale Secretariat
3 Berkeley Square
London W1X 5HG

Tel: 071-629 6116
Fax: 071-491 4811

PRIME KENSINGTON

MANSION BLOCK FREEHOLD
£895,000
Unmodernised House
Will make grand 6 bed house + 3 bed flat value £1.2M. 5500 sq ft
Build costs £200,000.
£850,000 OIRO

DAVID SOMERSET
071-937 3096

COLCHESTER

PRIME PERIOD OFFICE BUILDING.
3800 SQ.FT

NEWLY REFURBISHED TO HIGH STANDARD
CAR PARKING FOR 6/7 CARS
NEW 20 YEAR LEASE - £55,000, P.A.

INNERSET SECURITIES PLC
27, GLOUCESTER PLACE, LONDON W1H 3PB

Tel: 071-486-0746
Fax: 071-724 9495

WORK FROM HOME IN SW3

Attractive redecorated maisonette with self-contained office suite, close to Sloane Square. Under £28 per sq ft, New lease terms by arrangement.

MELLERSH&HARDING
071-499 0866.

Just 5 mins walk from Waterloo Station

B1 BUILDING SE1

16,300 sq.ft. TO LET

REFURBISHED TO HIGH STANDARD

£14.00 per sq.ft.

DAVID MENZIES ASSOCIATES

GLASGOW CITY CENTRE

OFFICE OR HOTEL DEVELOPMENT SITE
with full p/consent for 90,000 sq ft approx office scheme

Freehold for sale or J.V. avail. with Vendors

Moss & Partners 071-629-9933
Whyte & Barrie 0698 428411

MARBLE ARCH

5,500-11,000 SQ FT
PRESTIGIOUS OFFICES

SIMON CALVERT
071-408 1161
GARY EAGELL
071-486 6060

For sale 4 acres Light Industrial Land, Northallerton, North Yorkshire. Good Investment/Ideal Development Site for National Concern. Reduction available for Quick Sale. 0609-773004

SW1
OFFICES TO LET
10,000 sq ft - 70,000 sq ft
Superb Offices Development
Complete Range of First Class Facilities
Completion 1991
Write Box A305, Financial Times, One Southwark Bridge, London SE1 9HL

---

2 MILES FROM CITY ISLINGTON FRINGE

Quality offices in stylish new development around courtyard setting.
From only 10 psft

Tom Mulligan & Associates
071 254 2392 Strettons 081 533 1212

MAYFAIR Unique s/c suite - own front door. Refurb offices 780 sq ft and Penthouse if reqd.Moss and Partners 071 629 9933

SHORT/LONG TERM Furnished offices in W1 - available now. Tel. 071-734 7282.

LEGAL NOTICES

SHIREQUEST LIMITED T/A

BROADLANDS NURSING HOME

Registered number: 1703499
Trading name: Broadlands Nursing Home
Nature of business: Nursing home
Trade classification: Residential accommodation
Date of appointment of joint administrative receivers: 2 November 1990.
Name of person appointing the joint administrative receivers: Midland Bank plc
JOSEPH PATRICK CONSIDINE and Richard Anthony Smart
Joint Administrative Receivers
(Office holder nos 056 and 265) of Cork Gully, Churchill House, Churchill Way, Cardiff CF1 4XQ

GENEVA SWITZERLAND

Full Service is our Business
International law and taxes.
Mailbox, telephone, telex and telecopier services
Translation and secretarial services.
Formation, domiciliation and administration of Swiss and Foreign companies.
Full confidence and discretion assured.
BUSINESS ADVISORY SERVICES S.A.
7 Rue Muzy, 1207 Geneva
Tel:736 05 40 Tx: 23342
Fax:786 06 44

INTERNATIONAL PROPERTY

GO EAST, YOUNG MAN! AND GET YOUR CHANCE IN VIENNA.

Security and the best connections:
Vienna, the capital of Austria, is located in the heart of Central Europe and has, by tradition, always maintained good relations with Eastern Europe. Austria itself is firmly established on a sound political and economic basis.

Vigorous economic growth;
And future prospects have never been so good. Austria's imminent entry into the European Communities and the EXPO world exhibition to be held in Vienna in 1995 have added all the more momentum to an already outstanding economic drive. And so, to be successful, you simply must have a foothold in Vienna.

For branch offices:
Selling areas in prime locations in central Vienna and office floor space from 15 to 15.000 m² in the very best areas of Vienna. Industrial sites of up to 1 million m² in the immediate vicinity to Vienna.

And investment
Investment property in the very areas of Vienna, Salzburg and Budapest from 300 to 900 million AS.

INT. REALTOR, DR. PAUL WIRTH, FAVORITENSTR. 10 1040 VIENNA
TEL: 1-505 96 97, 1- 505 25 90 FAX: 1- 505 70 77, 1- 505 47 20

Montreal, Canada

Luxury Condominium

In 1st class location, close to downtown, 2 bedrooms, 2 baths, new construction old charm, pool and fitness centre, 185 m2 (1990 sq.ft.), Sales price: Can $490.000.

Industrial Building

In Pointe Claire, Montreal, multi-tenant, 5.925 m2 (63700 sq ft) Return on investment 7.5% with excellent increase possiblity. Sales price: Can $ 2.350.000.

Inquiries to: Valver Real Estate Inc., 3410 Peel St., Suite 2202, 'Le Cartier', Montreal, Quebec H3A 1H3
Tel: 514 285-1314 or
Fax 514 848-9897

FOR SALE

- Real Estates with buildings to be demolished.
- 77 ha approved plot for 18-hole-course in Kärnten/Austria.
- Commercial objects in Köln, Hamburg.

Fax: Germany 404224483

GOLF LEISURE AND RESIDENTIAL DEVELOPMENT SITE-FOR SALE

On the Costa Blanca, Alicante, Spain. Located midway between international airports of Alicante and valencia. 1,700,00 m² (422 acres): Possibly for development of 900 houses, hotel, commercial area, club house and 18 hole golf course.
Water and electricity on-site.
For further details of this unique opportunity contact Mr E Gonzalez

Tel: (Spain) -6-648-2247

CENTRE MONACO

PRESTIGIOUS OFFICE BUILDING FACING PARK, CASINO AND SEA. OFFICES 380 SQM. FULLY EQUIPPED AIR CONDITIONING, INTERNAL NETWORK FOR COMPUTERS, COMPLETE TELEPHONE INSTALLATION, CONCIERGE, PARKING. EVENTUAL KEY-MONEY FOR FURNITURE.
BREMOND DOTTA
TEL: 93 25 50 25 FAX: 93 50 95 81

COMPANY NOTICE

LINTER TEXTILES CORPORATION LIMITED (RECEIVERS AND MANAGERS APPOINTED) AND CERTAIN OF ITS SUBSIDIARY COMPANIES

NOTICE OF MEETINGS SUMMONED PURSUANT TO AN ORDER OF THE SUPREME COURT OF VICTORIA

Notice is hereby given that by an Order of the Supreme Court of Victoria of the Commonwealth of Australia made on 9th November, 1990, the Court has, with respect to each company listed in the schedule hereto (each company is hereinafter individually called a "company"), varied the order previously made appointing meetings for 12th November, 1990 and directed that a meeting be summoned pursuant to section 315 of the Companies (Victoria) Code of certain creditors of the respective company for the purposes of considering and if thought fit agreeing (with or without modification) to a Scheme of Arrangement proposed between the company and certain of its unsecured creditors.

The Court has ordered the meetings that a substitute meetings be held at the Farm and Sydney Cove Room, Hilton Hotel, 259 Pitt Street, Sydney in the State of New South Wales, Australia on 27th November, 1990.

The meeting for each company will commence at the time specified opposite that company's name in the schedule.

A statement explaining the proposed scheme, a draft of the proposed scheme, notice of assertion of debt or claim and a form of proxy are available from the offices of Messrs KPMG Peat Marwick, Chartered Accountants, 500 Bourke Street, Melbourne, Victoria 3000 or 167 Macquarie Street, Sydney, New South Wales 2000.

A copy of the statement and a draft of the proposed scheme may be inspected at the offices of Linklaters & Paines, 59-67 Gresham Street, London EC2V 7JA, or the offices of Mourant du Feu & Jeune, 18 Grenville Street, St. Helier, Jersey, Channel Islands.

The scheme of arrangement if passed at the meetings of creditors and approved by the Court will only bind those persons who are creditors as defined in the scheme document.

A creditor entitled to attend and vote at any of the meetings must deposit the notice of assertion of debt or claim at the office of Messrs KPMG Peat Marwick at 167 Macquarie Street, Sydney, New South Wales marked to the attention of John Harkness no later than 5.00 p.m. on 26th November, 1990. A creditor is entitled to appoint a proxy to attend and vote on his behalf. Proxies must be lodged with Messrs KPMG Peat Marwick at 167 Macquarie Street, Sydney, New South Wales marked to the attention of John Harkness no later than 9.00 a.m. on 27th November, 1990.

DATED the 12th day of November 1990

Lindsay Philip Maxsted, Receiver and Manager of Linter Textiles Corporation Limited (Receivers and Managers Appointed) for an on behalf of each company

SCHEDULE

Company	Jurisdiction of Incorporation	Meeting Time
Speedo International B.V.	Netherlands	12.10 pm
Speedo International Holdings	England	12.15 pm
Speedo International Limited	Jersey, Channel Islands	12.20 pm
Speedo International Management S.A.M.	Monaco	12.30 pm

CONTRACTS & TENDERS

EXCLUSIVE AGENT FOR SELLING ONE OF THE MOST VALUABLE AND NUTRITIOUS FOODS "IRANIAN CAVIAR"

Shilat Trading Corp. intends to select a reliable and powerful company as an exclusive agent for selling the Iranian Caviar all through the Far-East including Australia and New Zealand in the next five years, starting with the year of 1991.

Those who are interested to participate in the tender are requested to obtain the tender terms and conditions until 25 days after this announcement from the following addresses:

SHILAT TRADING CORP
Head Office
No.24 11th Str. Mir Emad Str.
SH Beheshti Avenue
Tehran-Iran
Tel: 842697/842008
Tlx: 214203 KVIA IR
212720 SHIL IR
Fax: 854171

Frankfurt office
Bockenheimer Landstr. 43
6000 FRANKFURT Main
Germany
Tel: 069/7240448-49
Tlx: 414462 KVIAF D
Fax: 069/7240641

NOTE; For those interested to register in this tender, payment of USD 500 is required. A/C No: 5065600007 with Deutsche Iranische Handels Bank AG. 2000 Hamburg - Germany or Tejarat Bank, Gharani branch, A/C No: 20043229, Tehran-Iran.

WORKING ABROAD

Peter Gartland

The working British expatriate is not an exotic or extraordinary species. Rather he is an ordinary person doing an ordinary job in an out-of-the-ordinary place. A different lifestyle can bring different problems. In the main, these are still ordinary problems, though the solutions are likely to be special, taking into account expatriate needs.

The new, completely revised WORKING ABROAD from the Financial Times will help solve the problems of expatriate life, focusing on possible financial pitfalls.

- What should I do with my house in the UK?
- Am I still liable to income tax, capital gains tax and inheritance tax when I work abroad?
- What should I do with my UK savings, investments and insurance policies?
- Is there a bank that will understand my needs?
- How can I get independent financial advice when I'm overseas?

WORKING ABROAD is a book written for the ordinary man – the average working expatriate who is either currently abroad or contemplating the move. Clearly set out, this book will help you tackle the issues of:

• language • culture • education • medical facilities
as well as
• savings • investments • insurance policies
• pensions • taxes • removals • UK property
• returning home.

WORKING ABROAD covers all the main problem areas, including the technical and complex subject of UK tax – simply but comprehensively.

Published September 1990

ORDER FORM Please return to:
(Mail order address only) The Marketing Dept., FT Business Information, 7th Floor, 50-64 Broadway, London SW1H 0DB. Tel: 071-799 2002. Telex: 927282.
Please note payment must accompany order. Prices include postage and packing
Please send me*

Office use	Title	Qty	UK Price	Overseas Price
4868 0038	Working Abroad		£14.95	£17.50 US$29

I enclose my cheque value £/US$____
made payable to FT Business Information.
I wish to pay by credit card (mark choice):
☐ Visa ☐ Access ☐ Amex Card Expiry Date____

Card No.

Mr/Mrs/Miss____ (BLOCK CAPITALS PLEASE)
Title____
Organisation____
Address____
Postcode____ Country____
Signature____ Date____

Please allow 28 days for delivery. Refunds are given on books returned in perfect condition and within 7 days of receipt
Registered office: Number One Southwark Bridge, London SE1 9HL
Registered in England No 980896

The information you provide will be held by us and may be used to keep you informed of FTBI products and by other selected quality companies for mailing list purposes

071-799 2274

FT
FINANCIAL TIMES CONFERENCES

EUROPEAN BUSINESS FORUM

– Business in Central & Eastern Europe

26 & 27 November, 1990 – Rome

Speakers include:

Senator Dr Guido Carli*
Minister of the Treasury, Italy

Ambassador Renato Ruggiero
Minister of Foreign Trade, Italy

Professor Ivan D Ivanov
State Foreign Economic Commission USSR Council of Ministers

Dr Václav Klaus
Minister of Finance, Czechoslovakia

Ing Paolo Cantarella
Fiat Auto

Mr Horst G Krenzler
Commission of the European Communities

Sir Alan A Walters
John Hopkins University

The Rt Hon Sir Frank Cooper GCB CMG
N M Rothschild & Sons Ltd

Dr Franco Nobili
IRI

Dr Eberhard von Koerber
ABB Asea Brown Boveri Ltd

Mr Viktor V Gerashchenko
The USSR State Bank (Gosbank)

Ing Sergio Pininfarina
Pininfarina SpA

Dr Sergio Siglienti
Banca Commerciale Italiana SpA

Dr Axel Lebahn
Deutsche Bank AG

Mr Ferenc Rabár
Minister of Finance, Hungary

Professor K Lutkowski
Adviser to the Minister of Finance, Poland

in association with
La Repubblica/L'Espresso
and
ABI (Italian Bankers' Association)

*Subject to final confirmation

For information please return this advertisement, together with your business card, to
Financial Times Conference Organisation
126 Jermyn Street, London SW1Y 4UJ
Alternatively,
Telephone: 071-925 2323
Telex: 27347 FTCONF G Fax: 071-925 2125

CLRCH-8

ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
16	17	18	19	20	21	22

THEATRE

London

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn. A probable, but unspectacular, hit (839 5972).
Absurd Person Singular (Whitehall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. Moira Redmond, Richard Kane and Lavinia Bertram on fine form in a production which confirms Ayckbourn's early bleakness (071 867 1119). Extended until January.
Man of the Moment (Globe). Nigel Planer and Gareth Hunt in another Alan Ayckbourn play, this time about media manipulation (437 3667)
Into The Woods (Phoenix) Julia Mckenzie shines as the witch in Stephen Sondheim's compendium of fairy tales. The title song is more memorable than a storyline that descends into recrimination and chaos as the characters' dreams turn sour (867 1004).
Cats (New London). The formula of T.S Eliott words, Lloyd Webber music and feline dance has made this Britain's longest running musical. (405 0072)

Madrid

Les Liaisons Dangereuses (Teatro Albeniz). The Royal Shakespeare Company will be performing Christopher Hampton' s play based on the Laclos' novel of seduction, intrigue and revenge set in pre-revolutionary France, directed by David Leveaux, and starring Pip Miller and Emma Piper. Ends November 18 (522 02 00).

New York

Falsettoland (Lucille Lortel). It will be known as the musical about Aids first hitting New York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a Bar Mitzvah and his parents, all three of them (924 8782).
Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).
Cats (Winter Garden). Still a sell-out. Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this transfer from London (239 6200).
Gypsy (St James). This 30th anniversary production is a reminder of the heyday of the American musical with memorable tune after memorable tune, as well as a forceful plot about the ambitious stage mother who encourages her daughter even into burlesque (246 0102).

Tokyo

Kabuki: Performances at Kabuki-za centre around a name-taking ceremony for the actor Senjaku, who follows in his father's footsteps to become Ganjiro III. Both performances (11am, 4.30pm) are mixed programmes, combining drama, spectacle, song and dance. Earphone guide in English and English-language programme (541 3131).

OPERA AND BALLET

London

Royal Opera, Covent Garden: new production by Adolf Dresen of *Fidelio* is conducted by Christoph von Dohnanyi, and has Gabriela Benackova, Jan Blinkhof, Monte Pederson, and Robert Lloyd in leading roles. Further performances of the *Barbiere di Siviglia* revival, conducted by Gabriele Ferro, with the second of two interesting casts: Edita Gruberova, Justin Lavender, Vladimir Chernov, Eric Garrett, and Alexander Morozov.
English National Opera, Coliseum: *Cosi fan tutte*, in John Cox's stylish 1980 production, returns with a new cast, led by Rita Cullis and Glenn Winslade, and Peter Robinson as conductor. Further performances of the new double bill – Delius's *Fennimore and Gerda*, Puccini's *Gianni Schicchi* – conducted by Charles Mackerras, produced by Julia Hollander.

Paris

Bastille Opera. *The season opens* with Verdi's *Otello* conducted by Myung-Whun Chung with Placido Domingo in the title role for the first five performances (40011616).
Opéra Palais Garnier. *L'histoire de Manon* to Massenet's music rearranged by Leighton Lucas in Kenneth Macmillan's choreography with Nicholas Georgiadis decors and costumes, conducted by Barry Wordsworth (47425750). Théâtre des Champs Elysées.

Brussels

Théâtre Royal de la Monnaie. The Monnaie Opera in Hans Zender's *Stephen Climax*. Sylvain Cambreling conductor, staging by Peter Mussbach, sets by Paul Lerchbaumer.

Antwerp

Koninklijke Vlaamse Opera. The Royal Flanders Opera in Verdi's *Macbeth*. Rudolf Werthen conductor, staging by Gilbert Deflo with Josephine Barstow, Pablo Elvira, Gabor Andrasy, Huw Rhys-Evans.

Amsterdam

Elisa Monte Dance Collection with the world premiere of *The World Upside Down, Turtles Eat Bones* and *Dextra Dei*. Netherlands Opera in Glen Wilson's new production of *Il Ritorno d'Ulisse* in Patria by Claudio Monteverdi, directed by Pierre Audi. Glen Wilson conducting a baroque ensemble playing authentic instruments. Muziektheater (255 455).

Barcelona

Verdi's *Un Ballo in Maschera* conducted by Romano Gandolfi with a cast led by Anna Tomowa-Sintow. Ends November 27. Gran Teatre del Liceu. (412 14 66).

Utrecht

Opera Forum with Janáček's *Cunning Little Vixen*. Jiri Pinkas conducting the Forum Philharmonic. Vredenburg. (Wed).

Bologna

Palazzo Dei Congressi. Roland Petit's new and revolutionary *Sleeping Beauty*, with Domique Khalfouni and Zizi Jeanmaire as Carabosse (529999/302932).

Turin

Teatro Regio. The Regio celebrates its 250th anniversary with two versions of Verdi's *Don Carlos* (the French and the Italian) performed alternately between now and mid-December, both of which are conducted and produced by Gustav Kuhn, but with different casts. The Italian version will be the one given in Modena in 1886; the French edition will also be the full-length version (8815241).

Venice

Teatro La Fenice. Alban Berg's *Lulu*, sung in German in a new production by Giorgio Marini, with 1930s sets and costumes by Laura Grisman. The excellent cast is led by Ann Panagulias, making her European debut in the title role, conducted by Yoram David (5210161).

Berlin

Opera. Hindemith's rarely played *Mathis der Mahler* will have its premiere this week, produced by Götz Friedrich with the title role sung by the Finnish singer Jorma Hynninen. Other performances include *Cosi fan tutte* with Angela Denning, Keith Lewis, Mariana Clorromila, Carol Malone: *Katja Kabanowa* with Karan Armstrong, Patricia Johnson, Maria Teresa Reinoso and Camille Capasso. *Rigoletto* in Hans Neuenfels' production.

Hamburg

Opera. Jochen Kowalski Lieder recital, accompanied at the piano by Shelley Katz with songs by Mozart, Beethoven and Schubert. *Die Hochzeit des Figaro* in Johannes Schaaf's production opens this week. Also *Hänsel und Gretel* and the ballet *Peer Gynt*.

Cologne

Opera. *Rheingold, Walküre, Siegfried*, are part of the new ring cycle in a co-production with the Düsseldorf opera, produced by Kurt Horres and conducted by Hans Wallat. Fantasies is a guest perforamnce by the Düsseldorf ballet company.

Bonn

Opera. *Der Nussknacker* has wonderful Youri Vamos choreography.

Munich

Opera. *Nabucco* stars Julia Varady, Daphne Evangelatos, Wolfgang Brendel and Paata Burchuladze. *Palestrina* has Georgina von Benza, Marilyn Schmiege, Manfred Schenk and John Broecheler, in the main parts. *Un Ballo in Maschera* brings Sharon Sweet, Marjana Lipovsek, Alexandru Agasche and Wolfgang Rauch together.

New York

Metropolitan Opera: James Conlon conducts *Salome* with Hildegard Behrens, Helga Dernesch and Peter Kazaras in Nikolaus Lehnhoff's production. James Levine conducts Arvin Brown's production of *Porgy and Bess*. James Levine also conducts *Piero Faggioni's production of Un Ballo in Maschera* with Aprile Millo, Lucien Pavarotti and Juan Pons. (362 6000)
New York City Ballet. 93rd New York season opens with Tchaikovsky pas de deux, *Diamonds* and the year's sole performance of *Serenade*. New York State Theatre, Lincoln Center (496 0600)

Washington

Washington Opera. The company's 35th season continues with Maria Ewing in the title role of *Salome*, in Sir Peter Hall's production conducted by Gerald Schwarz. Yoko Watanabe is Mimi and Antonio Ordonez is Rodolfo in Gian Carlo Menotti's production of *La Bohème* conducted by Vjekoslav Sutej. Opera House, Kennedy Center (416 7800).

Chicago

Lyric Opera. Donato Renzetti conducts Andrei Serban's new production of *Lucia di Lammermoor* with June Anderson as Lucia amd Alfredo Kraus as Sir Edgar. Frank Galati directs Argento's *The Voyage of Edgar Allan Poe*, with libretto by Charles Nolte. Christopher Keene conducts. Civic Opera House (332 2244).

EXHIBITIONS

London

Royal Academy of Arts. Monet in the 90s: The Series Paintings. Burlington House, Piccadilly (287 9579).

Paris

Grand Palais. Simon Vouet (1590-1649). The exhibition brings together paintings, drawings and tapestries by the Paris-born artist whose vast compositions decorated palaces and churches at the time of Louis XIII and Richelieu. Closed Tue, Wed, late closing night.
Louvre. Recent acquisitions of the Department of Objets d'Art. 136 exhibits of medieval ivories and goldsmiths' work, of renaissance bronzes, enamels and majolicas and of 18th century furniture, tapestries and porcelain – many of which are royal gifts or royal possessions. Hall Napoleon, closed Tues, ends January 21.
Galerie Daniel Malingue. *Maitres impressionistes et modernes.* From a Pissarro gouache to a pleasing Berthe Morisot portrait of young girls framed in an open window, from white-toned Utrillos to the poetry of Miro's flying star, Daniel Malingue has assembled works of rare quality to represent his favourite period. 26, ave Matignon (42666033). Open all days except Sun, Mon mornings and lunchtimes. Ends December 22.
Musée Marmottan. Goya. Monet's museum plays host to four cycles of 218 engravings by Goya on loan from the Fundacion Juan Marcha. 2, rue Louis-Boilly. Closed Mon (42240702).
Galerie Maurice Garnier. Bernard Buffet – La Bretagne. In his unmistakable spiky handwriting, the painter beloved by the Japanese, pays homage to Brittany's ports and beaches. 6, ave Matignon (42256165). Closed Sun, Mon and lunchtimes.
Louvre. Euphronios. Some 60 *objects, craters, amphoras and* bowls testify to the art of Euphronios, painter and potter in the 6th century BC in Athens, in mastering the technique of red figures on black background. Open all days from 12 am to 10 pm, except Tuesdays. Ends December 31 (40205166).
Haboldt and Co. The newly opened gallery presents in its luxurious setting a selection of old masters from Holland, Germany, France, Belgium and Italy with names as diverse as Ter Borch and Canaletto, Boucher and Tiepolo. 137, rue du Fbg. St Honoré (42895881).
Grand Palais. Picasso. An exhibition of 47 paintings, two sculptures, 40 drawings, 24 sketchbooks, 19 ceramics and 247 engravings and lithographs which have come to enrich, in lieu of death duties, the French national collections. Closed Tue, Wed late closing, ends January 14.

Brussels

Musée d'Ixelles. L'Impressionisme et le Fauvisme en Belgique is a major exhibition of Belgian painting from the 1880s to the 1920s. The finest show seen in Brussels for some time. Closed Mondays ends December 16.
Galerie de la CGER. The Belgian Dynasty and Belgium's cultural Development. daily, ends January 30.
Palais des Beaux-Arts. 5 million years: The Human Adventure. Man's evolution seen through 200 Paleontological exhibits. Daily ends December 30.
Musée d'Art Moderne, Place Royale. The Goldschmidt Collection of modern paintings recently left to the museum is on view in its entirety for the first time. Works by Braque, Chagall, Hockney, Klee, Miro and others. Closed Monday, ends December 16.
Musées Royaux d'Art et d'Histoire. Inca-Peru an exhibition that traces the evolution and decline of the Inca culture through 450 artefacts. Closed Monday, ends December 31.

Cologne

Some 268 international art dealers offer paintings, graphic works, sculptures and photographs from the classic modern and the newcomers. This important art show has well-known artists like Alexej Jawlenskys, Lyonel Feininger, Emil Nolde, Karl Schmitt-Rottluff, Emil Schumacher as well as works by Willy Baumeister. Joseph Beuys, Imi Knoebels, Arnulf Rainer are the most represented artists. Ends Nov. 21. Koeln, Messe, Messeplatz 1.

Madrid

Centro de Arte Reina Sofia. After undergoing seven months of major reforms the centre reopens as Spain' s "national" contemporary art museum. Memory of the Future: Italian art 1900-1964 is the most comprehensive show to date on 20th century art.
The Cambo Legacy. Francesc Cambo, Catalan financier and politician, was also the owner of a magnificent private collection of paintings, built up between 1927 and the Spanish civil war and paying particular attention to Italian renaissance art: Botticelli, Titian, Tintoretto, Verones, Sebastiano del Piombo, Perugino, Goya, el Greco, Zurbaran, Rubens. Museo del Prado. Ends December.
Museo Espanol de Arte Contemporaneo. Domestic Scenes. Everyday images of life in Spanish homes starting with old masters such as Zurbaran, Velazquez, Murillo and Goya, through Sorolla and Casas, moving on to Picasso and Dali, and ending with contemporary A. Lopez and Barcelo. Ends December 9.

Barcelona

Museo de arte Moderno. Modernism. A comprehensive show of modernism as "total art". Organised by Olimpiada Cultural, the aim of the exhibition is to show off Barcelona's rich modernist inheritance in all its different aspects: including painting, posters, jewelry, furniture, stained glass, wrought iron and ceramics. Ends December 20.
Museo Picasso. Homage to Jacqueline – between 1954 and 1970 Jacqueline Roque was a constant source of inspiration for Pablo Picasso, they married in 1958. *The exhibition is an important* retrospective of the last 20 years of Picasso's artistic life and a homage to his favourite model. Ends January.

Rome

American Academy: Giovanni Battista Piranesi: 135 engravings of Rome, made around 1770, the year of Piranesi's first visit to Rome, and the beginning of his long love-affair with the city. Ends December 16.

Milan

Castello Sforzesco. The People of the Sun and the Moon: treasures of ancient Peru. Nearly 500 ceramics, gold objects, textiles and gems, together with a small but precious collection of erotic ceramics of the Moche civilisation, lent by museums in Lima. Ends December 9.

Venice

Palazzo Grassi. From Van Gogh to Picasso – from Kandinsky to Pollock. Opening with Picasso's 1931 Woman with Yellow Hair and closing with Fernand Leger's 1950 Builders with Rope, this exhibition provides a truly delightful canter through modern art from the late 1870s onwards. Ends December 9.

Dresden

Albertinum. Georg-Treu-Platz 1. Some 350 works by 170 artists who were expelled by East Germany during 1949-1989. Ends December 2.

Berlin

Martin-Gropius-Bau, Stresemannstrasse 110. Bismarck's Prussia, Germany and Europe. This exhibition in Berlin will be the first organised by the German History Museum, with around 1,000 pieces on loan from 250 different museums from all over Europe and the US. Until November 25.

Frankfurt

Staedel Museum has opened its new extension: 1,300 square metres display of 20th century art ranging from Picasso to Max Beckmann and Anselm Kiefer. Staedel, Schaumainkai 63. Ends January.

Cottbus

The art of collage from 1945-1990: The new Germany sticked, since George Braque established paper collages in 1912 this has become part of modern art. Ends Nov 25. Staatliche Kunstsammlung, Strembergerstr 1.

Bremen

To commemorate the 100th anniversary of the constructivist painter Walter Drexel a retrospective is being held. Ends Jan 13. Kunsthalle am Wall 207.

New York

Brooklyn Museum. From pastoral landscapes to moonstruck mature fantasies, this comprehensive exhibit makes the claim for Albert Pinkham Ryder as the first modern American painter. Ends January 6.
Pierpont Morgan Library. Treasures of Eton College Library covers 550 years of collecting, including drawings of royalty, manuscripts and books among 200 borrowed objects.
Museum of Modern Art. High and Low: Modern Art and Popular Culture may have too broad a theme in highlighting common objects, like newspaper fragments in Cubist works, in twentieth-century art, but it brings together a wide range of works by Dubuffet, Duchamp, Picasso, Warhol, Lichtenstein, among others.

Washington

National Gallery. The 350th anniversary of the death of Anthony Van Dyck is the occasion of this major exhibit of 90 masterpieces borrowed from around the world and mixed with the gallery's own fine collection. Ends Feb 24

Chicago

Art Institute. One of Chicago's most noted conteporary artists returns home when Ed Paschke's travelling exhibit, which first appeared at the Pompidou Centre last year, arrives with 47 of the painter's day-glo portraits and landscapes.
Art Institute. The Russian Taste for French Painting is a tribute to the cultural impact of improved Soviet-American relations with its French masterpieces borrowed from the Hermitage and Pushkin Museums. Works from Poussin to Matisse include Manet, Renoir, Cezanne and Gauguin.

Tokyo

Masterpieces of Japanese Art. This selection of 250 major works has been drawn together to mark the accession of the new Emperor. It includes rarely seen pieces from the Shosoin Treasurehouse in Nara, the Horyuji Temple, the Imperial Household collection and elsewhere. National Museum. Closed Mondays.
Hara Annual 10. Since its establishment ten years ago, this museum has held an annual show of young and emerging Japanese artists: an opportunity to observe new developments and directions in Japanese art. Hara Museum.
Azabu Museum of Arts and Crafts. Ukiyo-e prints and paintings of flowers and birds: from the Rockefeller collection in the US. Among the artists represented are Hokusai and Hiroshige.
William Blake: 200 iodiosyncratic works by the English revolutionary, visionary, poet and painter. Part of the UK 90 Festival. National Museum of Western Art. Closed Mondays.

The Kingdom of Desire

LYTTELTON THEATRE

Those of you whom the word *Macbeth* had made nervous may now instead try *Kingdom of Desire*. Or "the Taiwanese opera". The Contemporary Legend Company, which was founded in Taipei in 1984 to apply modern stagecraft to the traditional idioms of Peking Opera, has now brought Lee Huei-min's acclaimed adaptation of *Macbeth* to the Lyttelton, where it can be seem all this week.

Opening night was greeted with rapt attention and warm applause. It is tempting to write a "How marvellously exotic" view and leave it at that. If, however, we are to treat both Taiwanese culture and our own with respect, we should admit that this alliance of Shakespearian tragedy and Peking Opera presents us with some problems. Peking Opera, not seen in London for several years, is less like opera than the old *commedia dell'arte* theatre, so popular in Western Europe two or more centuries ago. Like that, it uses mime, dance, acrobatics, characterisation techniques, costume, speech, song and music. *The Kingdom of Desire* has few of the torrents of acrobatics that can make Peking Opera so astonishing (though those few produce gasps) but is far more varied in scenery and lighting. Has *Macbeth* ever been more spectacular? Each and every costume is a collection of colours bright and subtle. Jewels dangle from head-dresses. The forest (blasted heath) where Au-shu Cheng (Macbeth) and Men Ting (Banquo) meet the Witch (only one, with waist-long shower of white hair) is a realm of half-lights and hidden depths, with greens and golds looming out against pitch darkness.

The movement in this *Kingdom* is always absorbing, often exciting. The characters' boots all have two-inch soles (they look as if they're standing on little boats) and I love the emphasis this gives to their formal foot positions (often turned out). Who could not relish the pithy little jumps – shabang! – from one leg to another, on which they then stand balanced to attention? Macbeth jumps to his death with a back somersault unseeing from an eight-foot precipice, and the hurtling somersaults with which messengers enter have thrilling velocity. And there are gestures of hands, head and torso of highly delicate precision.

Harder to take is the music, so much stranger than that of India or Indonesia. I know that Schoenberg's *Pierrot Lunaire* should have accustomed me to those weird slidings of the voice up and down during a syllable – but it hasn't. To my Western ears, this is ugly singing, its tone raw or shrill or harsh. The same slidings occur in the strings, punctuated by loud cymbal-clashes. (At the 3 o'clock Saturday matinee there will be a lecture-demonstration of this music.) I recognise a different aesthetic here, but I don't embrace it.

Over the whole evening there hangs a question: do the Taiwanese find this to be tragic drama? Shakespeare's play can of course be adapted and translated without losing a tragic core: see Verdi's opera or Kurosawa's film. But there's something so pat about Peking Opera – especially in its rhythm. I kept hearing and seeing perky little metric patterns that sounded sheer music-hall. No wonder that several people, oriental and occidental alike, were chuckling with happy relish at the big scenes for Au-shu Cheng and his Lady. Oh yes, she was striking, harsh, scheming – but so is Cruella de Vil. I'd like to see a Peking Opera *Twelfth Night*, *Tempest*, *Midsummer Night's Dream*. *The Kingdom of Desire* is spectacular, vivid, even epic. Wu Hsing-Kuo, Wei Hai-ming and the other performers all deserve their applause. Tragedy, however, is not their line.

Alastair Macaulay

Alastair Muir

Wu Hsing-kuo as Macbeth

Decorative birds and beasts

Still puzzling over the presumably wide and profitable appeal of a simpering porcelain puppy scrambling out of a fireman's helmet ("and into your heart") which appeared in a full-page colour ad in a Sunday supplement, it seemed an appropriate moment to visit the Craft Council's *The Decorative Beast*. The show considers the treatment of animals in the decorative arts and crafts over the last 200 years. Moreover, its catalogue boasted a philosopher's (in the end disappointing) explanation of our passion for/prejudice against knick-knacks in general, and small animal models in particular.

Selector Peter Dormer's initial aim was to show the work of a number of largely young British craftsmen who have taken up and revitalised the tradition of the animal form, and whose work displays a new respect for skill, observation and some humour: all the qualities that, along with naturalistic representation, had been thrown out of the art school window in the 1960s.

The idea grew into placing this new work in its decorative and moral context. Into the arena came period ceramics, furniture, textiles, glass, book illustration and graphics, and contemporary mass-produced ghastlies and advertising material. And a coop of live chickens for the public and exhibitor Jeremy James to draw and model.

The result is a stimulating but schizophrenic hotch-potch. The material ultimately begs questions of our changing attitudes towards animals, and in airing some of them here it seems that neither of these potentially fascinating surveys has been well served.

In terms of the decorative arts, the survey is weakened by its unevenness and failure to compare like with like. We are shown Aesthetic and Arts and Crafts furniture, but strangely no earlier carved animal masks or ball-and-claw feet, and no contemporary "animal" furniture. Likewise, we find fine Webb glass, Gimson metalwork, Wallis's carved birds, but nothing made today in the same media, and only one contemporary textile to compare with the consummate patternmaking of William Morris, William de Morgan, Arthur Silver and Edward Bawden. Space is tight, so why have unnecessary duplications, like ranges of Royal Doulton and a string of baby-faced My Little Ponies?

Stoneware cockerel, 25 inches high, by Jeremy James

The contemporary makers here were selected because they attempt to present an "authentic" vision of animals. Thus we find Michael Flynn working in bronze, but no examples of the great 19th century *animalier* modellers. The artificiality of the barrier between art and craft is highlighted. Flynn is here presumably because he also models in a "craft" medium of raku. But where then is, say, the extraordinarily vital animals of the young sculptor Nicola Hicks, who works in painted plaster and straw?

Flynn may work in ceramic but his remarkable pieces – a man leaping backwards to catch an errant cock, or flying forwards in pursuit of a hound and a hare – reveal the traditional preoccupations of the sculptor rather than the potter. His interest seems to lie in dynamic form rather than content.

Jeremy James's splendid roosters have been given their own two legs to stand on, have picked themselves up from brooding over soup tureens, and proudly strut away. His life-size ceramics speak of a close observation, empathy and respect for his subjects. Nuances of textures of flesh and feathers, and coloration, are subtlely rendered by a combination of ceramic techniques.

Is the very animal-ness and lack of sentimentality of James's hare, Susan Halls' leaping lurcher or Jill Crowley's cats symptomatic of the end of a anthropomorphic tradition of man's God-given sovereignty over animals, in an age of aggressive animal rights activities and acute eco-consciousness? It is tempting to think so.

However, the exhibition also offers us contemporary toys and ornaments galore that are unauthentic, sentimental and trivialising representations of animals. The poster of the lolling cat of the Kit-e-Kat advertisement speaks for them all, totally emasculated and fawned over for its very un-catlike domesticity and dependence.

The exhibition continues at the Crafts Council Gallery untilDecember 30.

Susan Moore

Uncle Vanya

THEATRE ROYAL, BRISTOL

Forget the peasants at the door. The Voynitsky family are the equivalent of our middle-class. They work for their living, they have a servant or two. Serebryakov, a professor emeritus from God knows where, is grossly over-rated by a family who care for farming before the arts, and his claim on the Voynitsky estate is based only on his former marriage to the deceased daughter of the deceased Voynitsky, Vanya's father, a civil servant.

As director Paul Unwin shows them to us in this excellent production, they wear everyday clothes and discuss everyday things in Christopher Hampton's everyday English. Tim Reed's designs use no domestic extravagance; there is the furniture, the corn upstage in the first scene, and that is it. The housework seems to be done by Saskia Wickham's podgy Sonia in her apron – yet she is actually the owner of the estate, though Serebryakov tends not to notice it. Carol Gillies's nice old nanny Marina only looks after the samovar and comforts everybody.

Serebryakov, as Denys Hawthorne plays him, looks tall and fit except when he is complaining about his legs, and fires his opinions out at breakneck speed. He has decided to live on Sonia's estate with his new young wife Yelena, where he can write in his study and moan about his gout, a second-class academic to the life. Timothy West's Vanya and Patrick Malahide's Astrov – both superb performances – do not rise to his world. They belong in featureless Voynitsky country.

Their moments are different. The overworked doctor Astrov (unduly sensitive about his not very big moustache) brings his charts of the forests' destruction to show Yelena (Kate Lynn-Evans, elegant but casual) and explains their content in a more academic manner than her husband uses. Yelena takes no notice. She is more concerned to know whether he loves Sonia. (Astrov's "No" is one of the best lines in modern drama.) She does not take much more notice when he shows that in practice he would rather love her, and is no more than embarrassed when their light embrace is interrupted by Vanya with his autumn roses.

West's Vanya clearly knows himself second-rate, a good-natured man whose function is to oblige the others. At the meeting where the *Herr Professor* makes his outrageous proposals, he sits at the back until his irritation proves too much for him, and then his account of the way he has been overborne for 25 years is as much querulous as furious. It does not surprise him that his shot at the professor was a miss, it simply exasperates him. Our last sight of him, his head sunk into his chest as he goes back to his accounts, is heartbreaking.

Saskia Wickham's likeable Sonia, unlucky in love, as tethered to her estate as her uncle is, may believe that the two of them will find peace in their combined efforts, but neither is ever going to be happy. They will stay on the estate with Marina, guitar-playing Waffles (David Battley), perhaps Vanya's mother Mme Voynitskaya (Stella Richman), and Astrov once a month if they're lucky.

B.A. Young

BBC Symphony Orchestra

ROYAL FESTIVAL HALL/RADIO 3

The idea for David Atherton's programme with the BBC Symphony on Wednesday was interesting in principle: to juxtapose a pair of substantial but highly personal works of deep grief over the World Wars, an English one lamenting the First and a Russian one lamenting the Second. There was no real risk of unrelieved gloom, for neither Frank Bridge's *Oration* nor Shostakovich's Eighth Symphony is a one-mood piece.

Bridge's *Oration* appeared in 1930, soon after the fine Piano Trio no. 2 which has recently secured a foothold in the repertoire. It is explicitly a "concerto elegiaco" for cello, in one long movement with many sections. This is unmistakeably an English elegy, as a foreign musician would recognise from almost any dozen bars of the music, but not because it sounds much like anything his English contemporaries were writing. Plainly it shares the same roots, and when a military march or a cortege is conjured up (usually as evocation of things past) it is a specifically native one; but the cut of all the musical material has an original, poignant stamp.

Except, I think, for a few virtuoso flourishes which Bridge no doubt thought he owed his soloist: though Moray Welsh here brought them off decently, they momentarily suggest unmotivated routine. Everywhere else, Welsh was eloquent and sympathetic, and Atherton and the orchestra gave him lucid support. The deceptively simple passages for woodwind pairs were realised to heartfelt, haunting effect; where the music expands to a tone of dignified public regret and reproach, it had gravity without pomposity. It is easy to imagine that *Oration* might be taken up by many cellists, and not only British ones.

In principle, as I said, setting Bridge's piece together with the Shostakovich Eighth was a sound plan. In practice, to give that long, blackly intense symphony yet another London performance (it has been getting more than anyone would have foreseen even ten years ago) – when Haitink, for example, has made it a searing experience – was to court fate. Atherton's reading was well prepared in many details; but this bitter, unrelenting score runs to defiant excesses that require the closest emotional rapport from the conductor, if the work is to strike home.

Here, the long, inconsolable melodies of the enormous first movement flowed over tame accompaniments (the syncopated string-chord rhythms made no expressive point of their own), and impetus often sagged at bumpy gear-changes. One march-scherzo is followed by another, and it is essential that they be contrasted: they were not, and indeed shared almost the same gait. The ambiguous finale – simple postwar relief? irony? a despairing cartoon of a Stalinist illusion? – was too temperate to spark interesting doubts. Either a performance of this symphony has the force of a sustained, un-ignorable scream, or it seems a piece of self-indulgent autobiography, not legible enough to justify its scale.

David Murray

May Night

GUILDHALL SCHOOL OF MUSIC

With David Lloyd-Jones now installed at the Guildhall School of Music, there is a good chance that a few favourite and rarely-heard Russian operas will find their way on the curriculum. Rimsky-Korsakov's *May Night* proved to be a decent first choice. The singing roles are not impossibly beyond the grasp of student voices, though the opera as a whole is no easy task for the inexperienced.

This was the second of Rimsky-Korsakov's 15 operas. The composer provided his own libretto, adapted from Gogol. Not by and large a good idea, as the drama lacks a strong central thread. He seems to have thought nothing of throwing in a bit of story-telling here, a Cossack dance there, regardless of whether or not they are connected to the plot. On the larger scale the opera also comes close to exhibiting a split personality.

The greater part of it is comedy. In John Lloyd Davies's production the curtain went up on a brightly-coloured toytown set. The mood hovers unhappily between circus-like zany clowning and satire, with the composer using piccolo and solo trumpet to cock a snook at authority in much the same way that Shostakovich was to do later. The familiar picture of Russian officialdom, self-satisfied and corrupt, is already being drawn here.

The problem, as with so many Russian comedies, is that very little of it is funny to Western audiences. So it comes as a relief in the last act when the hero wanders off to a romantic lakeside where the moonlight shines and harps play arpeggios to accompany his soulful aria. Just in time the score has turned into Rimsky-Korsakov at his most rapturous and the audience is persuaded not to nip off home on an early train after all.

The tenor, Mark Luther, made a pleasing showing in this key scene, the voice warm, on the dark side and well produced, although it has some way to go before maturity. I saw the second of the two casts on Wednesday, when Claire Rutter was the lyrical soprano Hanna, the two comic cameos were well taken by Christopher Lemmings and William Dazeley, and Karl Morgan played the drunken Kalenik with plenty of personality.

David Lloyd-Jones kept the performance firmly under control, though Rimsky-Korsakov the immodest master orchestrator would doubtless be delighted to find that he had given the Guildhall string players so much to worry about. At the end the stage was invaded again by the comic characters and the chorus, still at their wearing choreographed routines. At least, once he had decided to end with comedy, Rimsky-Korsakov was wise enough to bring the curtain down quickly.

Richard Fairman

Van Morrison

WEMBLEY ARENA

Now that Van Morrison has embraced God and kicked drink his shows are much more reliable, indeed structured, affairs. In the past the irascible looking Irishman, just the kind of balding, bulky, individualist you do not want get on the wrong side of in a Belfast bar, could suddenly lose interest in a show within minutes and dismiss his dedicated fans prematurely.

Their loyalty was rewarded at Wembey when he went on for hours and with more encores than Tina Turner farewell tours. He is still perverse, failing to deliver some of his best loved songs, but there is something beguiling about this podgy figure with the vibrant voice and it hardly mattered.

He is so professional that you become mute in face of such musicianship. Led by Georgie Fame at the keyboards the band sounds as precise and co-ordinated as any string quartet. Some of the material is too whimsical and Van Morrison makes you pay for his Celtic roots. But when he launches into "Gloria", with the name displayed on a giant screen to help audience participation, or performs a coherent version of Dylan's "Baby Blue", all is forgiven. He even makes spiritual material, like "In the Garden", sound earthy.

Morrison's master touch was to bring on Lonnie Donegan who played most of his Children's Favourites, from "Tom Dooley" to "Grand Cooley Dam". Soon the aisles were awash with dancers. Even when reliable Morrison is still mesmeric. You never know what he is going to do next, especially not a version of "Send in the Clowns". It was all terribly self-indulgent; cloyingly clubby; but also awesomely impressive.

Antony Thorncroft

SALEROOM

Success and failure for van Gogh

On Wednesday night it was the turn of Christie's in New York to expose its most costly pictures to the vagaries of the market place. In the event things worked out quite nicely. It failed to dispose of the major lot, yet another van Gogh flower painting, this time of poppies and cornflowers in a vase, which was bought in at \$9.5m as against an estimate of up to \$16m, but this apart judicious adjusting downwards of reserves ensured a successful auction.

The sale brought in \$92.3m (£47.1m) for the 47 lots, of which fifteen failed to sell, or 22 per cent by value. There was much joy from a rare event in the current climate, a record, this time for any drawing at auction: "Jardin de Fleurs", a large lively drawing by Van Gogh, sold for \$8.36m (£4.265m). An American dealer acquired "Les maisons sous les arbres", a 1913 Cubist landscape by Leger for \$9.89m just below target, while an energetic work by Joan Miró, who seems to be in demand this week, went to Japan for \$\$7.25m (£3.655m), at the top of its estimate. A Chagall and a Picasso sold for \$5.5m, well below estimate, reflecting the acceptance by vendors of reduced prices.

While Sotheby's faces a potential loss on its \$60m guarantee for the Ford pictures, which did badly on Monday, the three works form the Yaseen collection guaranteed by Christie's brought in \$9m which should ensure a healthy profit for the saleroom.

Back in London, Christie's held an important English furniture sale which did reasonably well, bringing in £1.57m, but with 25 per cent unsold. This relatively high bought in percentage was accounted for mainly by the failure of the main lot, a Chinese export black, gold and nashiji lacquer bureau cabinet of the early 18th century which was unsold at £95,000. The top price was the £104,500 paid for a pair of Regency ormolu mounted coromandel, ebonised, and parcel gilt centre tables in the manner of Thomas Hope. A pair of George III mahogany library armchairs did well at £93,500.

Sotheby's cheered itself up by selling a flawless white diamond in Geneva on Wednesday for £6.5m, a record for any diamond, any gem, any artifact in Geneva. The 101.84 carat stone had been cut from a crystal of 222.30 carats and was bought by the local dealer Robert Mouawad, who has the privilege of naming the stone. The sale totalled £15.9m, with 14 per cent unsold. The jewels market is holding up well while more classic arts suffer from global uncertainties.

The depth of the recession in the market is most vividly illustrated by Sotheby's total for its week of Impressionist and modern art sales in New York this week. They brought in \$165.6m (£84.4m) Last year, at the peak of the market, the series grossed \$342m (£216.6m).

The top prices paid at Sotheby's on Wednesday in New York were: from the Ned L. Pines collection (which totalled £3.4m with 17 per cent unsold), £434,506 for a Dufy view of La Place d'Hyeres; from the second part of the Impressionist and modern art sale (which was 23 per cent unsold), £644,750 (well below estimate) for "Enfant Egaree" by Fujita which went, not surprisingly, to Japan; from the Impressionist and Modern drawings and watercolours (29 per cent unsold), £266,310, also to Japan, paid for "Paysan Russe" by Chagall.

Antony Thorncroft

ARTS GUIDE

November 16-22

MUSIC

London

London Philharmonic conducted by Paul Daniel perform a concert of music by Mozart, Ravel and Sibelius (Fri). Royal Festival Hall. (928 8800).
Israel Philharmonic conducted by Zubin Mehta play Mahler's fifth (Sat). Barbican Hall. (638 8891).
London Mozart Players play music by Handel, Albioni, Mozart and Vivaldi's Four Seasons (Sun). Royal Festival Hall.
Orchestra of the Age of Enlightenment conducted by Sir Charles Mackerras play Schubert's eighth in a version completed by Newbold and Mackerras (Sun). Queen Elizabeth Hall.

Paris

English Chamber Orchestra conducted by Jeffrey Tate, Mitsuko Uchida, piano: Beethoven (Mon). Chatelet (40282840).
Ensemble Orchestral de Paris conducted by Armin Jordan, Maurice Andre, trumpet: Mozart, Hummel, Prokofiev, Hertel (Mon, Tue) Salle Pleyel (45638873).

Amsterdam

Royal Concertgebouw Orchestra conducted by Jakov Kreizberg, with Frank Peter Zimmermann (violin). Dvorak, Stravinsky. Concertgebouw. (Sat, Sun matinee).
Oscar Peterson Trio: Concertgebouw (Sat midnight).
Itzhak Perlman (violin), with Bruno Canino (piano). Tartini, Bartok, Schubert. Concertgebouw (Sun).

Utrecht

Radio Symphony Orchestra, Greater Broadcasting Choir and soloists, Henry Lewis conducting. Ravel, Orff. Vredenburg (Sun). (31 45 44)

Antwerp

Jeugd en Muziekorkest van Antwerpen conducted by Frans Cuypers with Laureates of the Cantabile piano contest, Joseph De Beenhouwer (piano). Beethoven, Durlet, Franck, Haydn, Mozart, Ravel (Fri). De Singel.

Brussels

Vladimir Ashkenazy (piano) playing Beethoven, Brahms and Handel. Palais des Beaux-Arts (Fri).
Rolf Plagge (piano) in a programme of Beethoven and Schumann (Mon). Palais des Beaux-Arts.

Madrid

Spanish National Orchestra conducted by Mark Ermler, with Rosa Torres-Pardo (piano). Prokofiev (Fri, Sat, Sun). Auditorio Nacional de Musica (337 01 00).
Salzburg Mozarteum Orchestra conducted by Thomas Koncz. Mozart programme (Fri). Auditorio Nacional de Musica (337 01 00).
Joaquin Soriano (piano). Schubert, Mompou, Granados, Chopin (Sat). Casa de Cultura de Torrelodones. (856 11 00).
Novosibirsk Symphony Orchestra conducted by Arnold Katz, with Dmitri Bashkirov (piano). Beethoven, Shostakovich (Sat). Auditorio Nacional de Musica (337 01 00).

Barcelona

Orquestra Ciutat de Barcelona conducted by Matthias Bamert, with Pi Hsien Chen (piano). Beethoven, Stravinsky, Brahms (Sat, Sun). Palau de la Musica Catalana (268 10 00).
Orebro Chamber Orchestra conducted by Jean-Pierre Vallez. Grieg, Mendelssohn, Nielsen, Tchaikovsky (Mon). Palau de la Musica Catalana (268 10 00).

Florence

Semyon Bychkov conducting Mendelssohn and Richard Strauss (Fri, Sat, Sun). Teatro Verdi (212320).

Milan

Riccardo Muti conducting the Scala Philharmonic (Mon). Teatro Alla Scala (809126).

Rome

Antoni Ros-Marba conducting Ravel and Strauss (Sat, Sun, Mon, Tues). Auditorium in Via Della Conciliazione (6541044).

New York

Roberta Peters (soprano) recital with **Warren Jones** (piano). A. Lotti, Bach, Mozart, Schubert, A. Thomas, R. Strauss, Tchaikovsky, Rimsky-Korsakov, Rachmaninov (Mon). Carnegie Hall (247 7400).

Washington

National Symphony conducted by Zdenek Macal with Tzimon Barto (piano). R. Sierra, Mahler (Tue); Concert Hall, Kennedy Center (467 4600).

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Friday November 16 1990

The options in the Gulf

THE DRUMS of war, which have been beating so loudly in the Gulf lately, have become muffled by the assurances given by President George Bush to leaders of Congress that the latest US military build-up does not mean that war is imminent.

That is not an undertaking which will help the anti-Iraq coalition's objective of maintaining the greatest possible pressure on President Saddam Hussein to withdraw from Kuwait. Other instruments of pressure, notably economic sanctions, have failed to bring about a rapid solution of the crisis. Diplomatic efforts, such as the latest initiative by King Hassan of Morocco to call yet another Arab summit, are again running into the sand because of irreconcilable differences among the Arab states.

The threat of war, as long as it is perceived to be credible, therefore remains a potent weapon in the hands of the US and its allies. Any diminution of that threat is bound to play into the hands of the Iraqi president, much of whose energy is expended on exploiting weaknesses in the more or less united coalition ranged against him. At the same time, it was hardly conceivable that the representatives of as mature a democracy as that of the US would be prepared indefinitely to give a completely free hand to their president to decide whether to involve the country in a war with incalculable consequences.

President Bush is confronted with an unenviably difficult task. He has to reconcile the need to convince Mr Saddam Hussein that he is serious about going to war with him, if he does not bow to peaceful pressure, with the duty of any democratic leader to persuade public opinion that his policies are justified.

Another Vietnam

It is on this last score that Mr Bush has been found wanting by prominent members of Congress, understandably concerned that the US is about to become embroiled in another Vietnam-like foreign conflict. Mr Sam Nunn, the influential chairman of the Senate Armed Services Committee, put their worries in a nutshell, when he asked whether liberating Kuwait was really considered by the president as such a vital US interest that "we're willing to expend thousands of American lives if necessary."

US public opinion

Though it is obviously desirable that President Bush should spell out more clearly US objectives in preparing for war against Iraq in order to win the support of the American people, to do so honestly would present him with a big problem. Those goals have already changed perceptibly since the start of the crisis last August. What began as a military operation to protect Saudi Arabia from attack by Iraq and, in the last resort, to force Iraq out of Kuwait if sanctions fail to do the job, is now considered by some to include the overthrow of Mr Saddam and his regime.

What is more, to set out clearly the objectives of war against Iraq inevitably entails a public discussion of the probable consequences of such a step as well. Both in the short and longer term, these are likely to be far from pleasant. Quite apart from the immediate prospect of the loss of many lives and the economic damage from higher oil prices, there are the longer-term risks of a potentially destabilising effect on the whole Middle East region of a power vacuum in Iraq and the triggering of a wave of anti-American anger throughout most of the Arab world.

Against this, of course, should be set the dire consequences of a failure to get Mr Saddam out of Kuwait. The consequences of such a failure would be even greater now than in August simply because of the prestige that has been invested in the attempt.

While economic sanctions may achieve their objectives, the option of force must remain. It is essential that President Bush, while taking note of congressional pressure to allow more time to allow sanctions to work, should make the sword hanging over Mr Saddam Hussein's head as credible as he can. For it is likely that only the fear of military annihilation will, in the last resort, change the Iraqi dictator's mind.

Overpaid at the top

THE remuneration of Sir Ralph Halpern, who resigned yesterday as chairman and chief executive of the Burton retail group, is one of those reliably eyecatching items that the newspaper trade chooses to call a running story. When the company sought in 1987 to introduce a share options package for Sir Ralph and his top executives, investment institutions took the rare step of criticising in public what they considered to be over-generous terms. When conditions in Britain's retail market turned sour soon afterwards he attracted further headlines with the plan to re-set the performance targets.

Now that Sir Ralph has finally made a characteristically high-profile exit he has been awarded the kind of severance package that arouses envy among those who are being urged by bosses and politicians to exercise restraint in making pay demands. The shareholders, meantime, have just seen their dividend cut after a substantial plunge in profits. They could be excused for wondering whether the flow of cash might not be more appropriately directed from Sir Ralph to the Burton Group, instead of the other way round.

That said, this £2m pay-off is not quite what it seems. The largest component, worth £1.4m, is a contractual entitlement under a bonus scheme relating to the years from 1986 to 1989. The rest consists of pension entitlements and a severance payment equivalent to 18 months salary on a service contract that had three years to run. The principles on which the deal has been struck would be regarded by many executives as falling short of generosity. But that begs two more important questions. Was the pay too high in the first place? And was it arrived at by some sensible process?

Uneasy justification

With hindsight it is hard to see how Sir Ralph Halpern's remuneration package, which came close to £900,000 in 1989, could be justified. He did, admittedly, transform the retailing operations of Burton before it ran into the present harsh climate in the high street and compounded its difficulties by expanding disastrously in property. Yet most people who run shops more successfully seem to rub along happily on a great deal less.

The argument for granting sky-high pay to top executives is usually put in terms of the need to match the sums available in the international market for executive talent. Yet the market is imperfect and there are some industrial and commercial sectors in which managerial skill has a strong domestic orientation which does not transfer all that readily across the Atlantic. Retailing arguably falls into that category; and it is hard to believe that Sir Ralph, who spent the best part of 30 years with Burton, needed every penny of the package to prevent him heading off to unspecified foreign pastures. Nor is it clear that there is any correlation between high pay and high performance.

Combined roles

The more fundamental point is that executive pay is unlikely to be satisfactorily set in a company where the roles of chairman and chief executive are held by the same, very dominant, personality and where there are too few outside directors of stature to help do the job. In this respect Burton was one more example of the institutions failing to take action over the composition of the board until far too late in the day.

There may be nothing intrinsically wrong with high rewards and incentives – though the Japanese and German systems seem to draw strength from the narrower differential between boardroom and shopfloor. But too often, in Britain, executive incentives are a one-way bet, involving participation in reward at little or no risk. Incentive schemes related to growth in earnings per share or share price appreciation lend themselves to short-termist behaviour and creative accounting.

The need is for incentives that involve participation in both risk and reward through straightforward share ownership over a protracted period. Where imagination is called for is in finding means of financing such ownership without imposing undue costs and strains on management.

On Monday the leaders of 34 states will meet in Paris to lay the foundation stone of a new European order. **Edward Mortimer** looks on

First steps towards security

Any meeting as long-prepared as next week's Paris summit – which will convene formally to lay the cold war to rest and to chart the course of future European security – is liable to seem an anticlimax. We have heard so much, by now, about the extraordinary changes that have come over Europe in the past 18 months. The man in the European street, east and west alike, has already put the celebrations behind him and is well into the hangover stage, awoken rudely – if he needed waking – by the Gulf crisis with its attendant jump in oil prices, and by the start of what looks increasingly like a world recession.

Those who thought that history had ended, that after the cold war we would all live happily ever after, or that Nato and the Warsaw Pact would be neatly merged into a kind of regional United Nations, should indeed be disillusioned. But probably not many Europeans were ever that starry-eyed. Equally, any politician or diplomat who believed the new order would be brought into existence by the negotiation and signing of intergovernmental agreements was deluding himself, but probably not many politicians or diplomats are so naïve. Most of them know that, even if changes of this magnitude may sometimes be set in motion by governmental decisions, their course is impossible to predict, let alone control.

Yet next week's meeting is important, not as a once-for-all turning point but as a milestone, marking a decisive stage in a remarkable, perhaps unprecedented, historical process; an occasion to register the progress made so far and to enshrine it, as far as possible, in a set of documents. Some of these will have the force of law. Others will not, but are none the less politically binding – which is almost as important, given that law in international affairs is always a tenuous bond and that loss of credibility (which often translates into loss of credit) is generally the most effective sanction against states tempted to dishonour their word.

The documents in question can also be classified by their subject matter – some are arms control agreements while others are political – and by the parties to them. Some are east-west agreements, between the 16 members of Nato and the six remaining members of the Warsaw Pact (East Germany having ceased to exist): the cold war signing its own death warrant, so to speak. Others, which could with a little poetic licence be called the birth certificate of the new order, are agreements of all 34 members of the Conference on Security and Co-operation in Europe.

Those 34 comprise all the states which are internationally recognised as exercising effective sovereignty on European territory, with the single exception of Albania (which has observer status); plus Canada and the United States. Thus Liechtenstein, the Holy See, Monaco and San Marino are included, but Andorra is not, because its foreign relations are conducted by France. Nor, much more controversially, are the Baltic states. The Estonian foreign minister, Mr Lennart Meri, complained bitterly about this in a speech to the Royal Institute of International Affairs in London last week, arguing that the conference could hardly claim to lay the second world war finally to rest, let alone the cold war, so long as his own country along with Latvia and Lithuania remained in the clutches of the state which occupied them by force in 1940.

There is indeed an anomaly here, since most western countries have never accepted that the Baltic states are legally part of the Soviet Union. Yet Mr Meri himself said that his government was not seeking formal recognition so long as it did not have full de facto control of Estonia's territory and its frontiers; and western officials point out that nothing in the agreements to be signed precludes the recovery of full independence by the Baltic states in the future, while there is much that should inhibit the Soviet Union from using force to prevent that recovery.

The east-west documents to be signed in Paris are two: the treaty on Conventional Forces in Europe (CFE), and the declaration, promised by Nato at its London summit last July, in which the member states of the two alliances solemnly state that they are "no longer adversaries" and reaffirm their intention "to refrain from the threat or use of force against the territorial integrity or political independence of any state", or from any other action contrary to the purposes and principles of the UN Charter and of the Helsinki Final Act.

The declaration is thus a kind of formal statement that the cold war has ended, while the CFE Treaty – by far the most detailed and far-reaching arms control agreement ever negotiated – makes all but impossible any attempt by either side to restart it. It is of course true that in many respects the CFE negotiators have been puffing and panting in the wake of political events. It is not they, but the people in the streets of eastern and central Europe who have obliged the Soviet Union to withdraw its forces. But the treaty does make it impossible for most of the equipment so withdrawn to be regrouped even on Soviet territory west of the Urals; and although much of it has already been taken east of the Urals, large quantities that are still west of the Urals will have to be destroyed.

Moreover, highly intrusive verification provisions will make it impossible to cheat on any significant scale without being detected. Although the Soviet Union (or Russia) will remain much the largest single military power on the Eurasian landmass, its ability to mount a large-scale conventional attack on western Europe is being dismantled in such a way that it would take years, not months, to reconstitute; and the former satellites in east-central Europe, even though not brought formally under Nato's umbrella, will have the comfort of knowing that the Soviet Union could not prepare any serious attempt to reoccupy them without being in flagrant breach of a treaty to which all Nato members are parties.

A further element of security is provided by the "confidence and security building measures" (CSBMs) to which all 34 states are party – among them a measure which gives any European state the right to object to what it considers "unusual military activities" by any other and, if bilateral meetings fail to resolve the matter, to convene a meeting of all 34 to discuss it. This mechanism should make it easier to avoid a rapid escalation of conflict in regions such as south-eastern Europe where many nationalist passions and grievances have been unleashed in the wake of communism's downfall. The task of monitoring such measures and organising such discussions will fall to the Conflict Prevention Centre, one of the new CSCE institutions to be created next week.

"Institutionalisation of the CSCE" (a terrible mouthful) will be the shortest but most functional part of the main document to be signed by all 34 states. It will be preceded by a lofty declaration of the principles on which the new Europe is to be based – democracy, human rights, the rule of law etc (what Mrs Thatcher likes to think of as the "Magna Carta" of Europe), and by a section laying down guidelines for future action within the CSCE framework: there may, for instance, be a meeting on minority rights sometime next year. The principle of such rights was affirmed at the Copenhagen meeting of foreign ministers in June this year, but more practical methods of protecting them will need to be found as a matter of urgency if the peace is to be kept in eastern Europe.

The institutions that have been agreed have been deliberately kept small. Although some east-central European governments started the year with grandiose ideas about a European Security Organisation virtually duplicating the UN, Britain and the US have firmly opposed setting up new supranational bureaucracies. The emphasis is on a framework within which national governments can co-operate to achieve common aims, relying as far as possible on their national civil servants. There will, however, be a small secretariat, based in Prague, whose main task will be to prepare and service the regular follow-up meetings – summits every two years, foreign ministers' meetings "at least" once a year, and more frequent meetings of high-level officials in between. There will also be an Election Observation Office – essentially an information bureau, able to supply statistics and guidance both to national or local authorities which request help in organising elections and to experts invited to observe them.

An "Assembly of Europe" is also planned, composed of delegates from national parliaments and using the facilities of the Council of Europe Assembly in Strasbourg, with which it will strive (almost certainly in vain) not to be confused. But detailed plans for this will be left to a follow-up meeting in which parliamentarians themselves will participate. Proposals for machinery for the peaceful settlement of disputes have also been referred to a follow-up meeting, to be held in Malta next January – as has, to Mr Douglas Hurd's disappointment, a British proposal for a voluntary conciliation procedure.

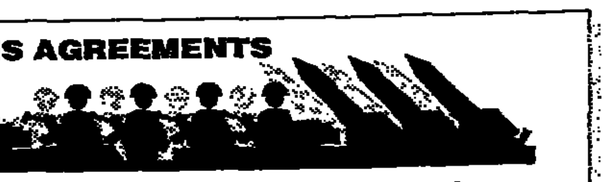
If these seem only hesitant, first steps towards a new order in Europe, we should not be surprised. The old order, based on the division of Europe into two blocs or alliances, each dominated by a superpower, was the product of decisions by a relatively small number of people: Stalin on the one hand, who used his military control of eastern Europe to impose a political order, and the governments of Nato on the other, who banded together to resist any further Soviet expansion. But the essence of last year's revolution is that it allows freedom of choice to a much larger number of actors: not only to states but also to groups and individuals within states.

To achieve consensus among all the states of Europe is now easier in one respect: there is no longer a fundamental ideological divide. But it is more difficult in another: there are no blocs, no automatic toeing of the line by the allies of each superpower. In fact, such toeing was never fully automatic on the western side, and became less so on the eastern side as time went on. But now there is no longer an eastern side even pretending to strive for uniformity, which means that pressure on the western side to maintain a common front is correspondingly reduced.

And even when consensus among the states is reached, that is not nowadays the end of the matter. The 1989 revolution was above all the triumph of "civil society" over the state. In some places it has produced states more genuinely representative of civil society, and therefore able to make agreements by which their citizens will feel bound. But in much of eastern Europe, and especially in the Soviet Union, that process is still incomplete. Many groups do not feel themselves adequately represented by the states now in existence. Not a few aspire to break away and form new states. That is one of the challenges the new order must face, but it also makes the construction of any formal new order to replace the old much more problematic.

For some years at least, the new order in east, and probably in central Europe, will be a new disorder. Western Europe will do its best to hold on to elements of the old order which have proved their worth: Nato and above all the European Community. But it will also do what it can to contain the disorder in eastern and central Europe, and to spread the benefits of western order eastwards. The CSCE provides a framework within which to make that attempt.

THE PARIS AGREEMENTS



By 22 states (Nato and Warsaw Pact members):

Treaty on Conventional Forces in Europe places equal ceilings on numbers of tanks, artillery, armoured combat vehicles, helicopters and aircraft to be held by each side between Atlantic and Urals, with a maximum proportion ("sufficiency level") for any one country; sub-ceilings for each sub-zone, with lowest numbers allowed in central Europe.

Surplus equipment to be destroyed within three years, except small numbers which may be converted to civilian use.

"Active" and "passive" inspection quotas for each country, some of which may be used by other Warsaw Pact members to inspect Soviet Union.

No limits on manpower, but Germany has given binding political commitment to limit its forces to 370,000, of which ground and air forces may be 345,000. Other countries expected to fix own limits in follow-on negotiations ("CFE IA"), so that Germany will not be singularised.

Joint Declaration stating that alliances are no longer adversaries.

By 34 states (all CSCE members):

Confidence and Security Building Measures (CSBMs) - agreed by consensus but not signed.

Paris Declaration /Charter- affirms basic principles of new Europe.

- lays down guidelines for future CSCE meetings, including minority rights, peaceful settlement of disputes, "Assembly of Europe", plus co-operation on economics, the environment and the Mediterranean.

- establishes first permanent CSCE institutions: regular summits and ministerial meetings, Secretariat, Conflict Prevention Centre, Election Observation Office.

OBSERVER

Volvo US crushed

■ Pehr Gyllenhammar is not a happy man. "Our behaviour is distasteful and unacceptable," says the Volvo chairman.

Gyllenhammar has decided that the full wrath of the chairman's office shall descend upon the group's US subsidiary for its recent advertising gaffe that has made Volvo a laughing stock in the American auto industry.

The cause of all the fuss was the Volvo advertisement which ran on US television and in the US press in September showing a Volvo estate car standing up nobly to the attentions of a Monster Truck, while lesser cars were crushed beneath the truck's huge wheels.

When Volvo discovered that its film production team had specially strengthened two of its cars to make the amazing film – and that another maker's car had been specially weakened – the company withdrew the campaign, paid the Attorney General's costs, and began instead a humble apology campaign.

With Volvo's delicate safety image on the line in its most important market, that was not enough to appease Gyllenhammar. The "manipulated" ad is "an offence against our company, and what we represent, and an insult against all Volvo owners," he has thundered this week.

He adds for good measure "I will never tolerate any kind of misconduct or breech of company policies that will damage Volvo's name and excellent reputation."

The fall-out of Gyllenhammar's wrath is being felt in the US. Scali, McCabe, Sloves, the ad agency that has worked with Volvo in the US for 23 years, has resigned.

Meanwhile, Gyllenhammar is now ordering an investigation into Volvo's US organisation by Robert Dee, an external board member of Volvo North America and chairman of its audit committee.

The fact that subsequent car crushing exhibitions organised by the Hot Rod Association in Philadelphia and Houston have shown that even undoctored Volvos do stand up rather better to being run over by a Monster Truck than some American cars has done nothing to placate the boss.

Break-up

■ Visitors to the headquarters of Polly Peck at 42 Berkeley Square will have felt a pang on learning that the impressive collection of antiques which graced the offices of Asil Nadir, the Polly Peck chairman, is to come under the hammer.

Phillips, the fine art auctioneers have been asked by Polly Peck's administrators to auction the contents of the company's London headquarters in a sale on February 19.

The silver tortoises and maces which until this week lay on the chairman's desk, will no doubt quickly find buyers.

Turkish buyers are likely to be among those most interested in the sale. A stunning set of 19th century views of Istanbul will perhaps find its way back to its city of origin. Phillips expects the sale to raise around £3m – a relatively insignificant amount against the £1.3bn owed by the group.

Back in play

■ Life at the top of Burton has traditionally provided a precarious ride.

In 1969 Ladislas Rice became chief executive and chairman. He later made way for Cyril Spencer, who was chairman until 1981, when he was forced aside by the thrusting Sir Ralph Halpern.

Everyone agrees that Sir John Hoskyns is a nice and able man, if a trifle outspoken on the shortcomings of the civil service or the Brussels bureaucracy. However, whether he is the right chairman to revive Burton's fortunes is another matter.

"Can't pay Thatcher. Won't pay Heseltine".

It has been 15 years since he sold his successful computer software company to the Americans for considerably less than Sir Ralph Halpern's annual salary in better days. Ever since then he has been on the political sidelines as a semi-professional right-wing opinion former.

Along with Marks & Spencer's Lord Rayner and Sir Jeffrey Sterling of P&O, Sir John was one of the early members of Mrs Thatcher's "kitchen cabinet" of unofficial advisers. He had a frustrating few years heading the Downing Street policy unit, before moving on to run the Institute of Directors, where he did a good job.

Last year, after taking a final swipe at the Brussels machine, he bowed out of the IOD, and since then has picked up several non-executive directorships.

Having only joined the Burton board in March, Sir John cannot be blamed for past mistakes. And by helping arrange the management changes he has earned his salary.

Nevertheless, as chairman he will have to do more than shake hands and open new shops, especially if Burton's property problems are as bad as many suggest.

Cork's conflict

■ There was no sign of sharp knives at the Barber-Surgeons livery hall in the City yesterday when George Walker, chairman and chief executive of the troubled Brent Walker leisure group, faced his shareholders.

Standing in front of a painting of Henry VIII, Walker looked as if he expected to meet the sort of treatment that king used to dish out. But 40 minutes of questioning from shareholders – who were anxious but not emotional – ended with a round of applause. One shareholder asked whether Sir Kenneth Cork had resigned as a non-executive director earlier in the year because he had an inkling of the financial troubles facing the group.

Walker was hardly given time to explain that Sir Kenneth had left because after Brent Walker's acquisition of the William Hill betting shop chain there was a conflict with Sir Kenneth's role as vice chairman at rivals Ladbroke.

Mrs Winifred Garner leapt to her feet saying that she had been Sir Kenneth's secretary for 32 years and could say that "the saddest thing he did" was "giving up his directorship of Brent Walker".

Small traders

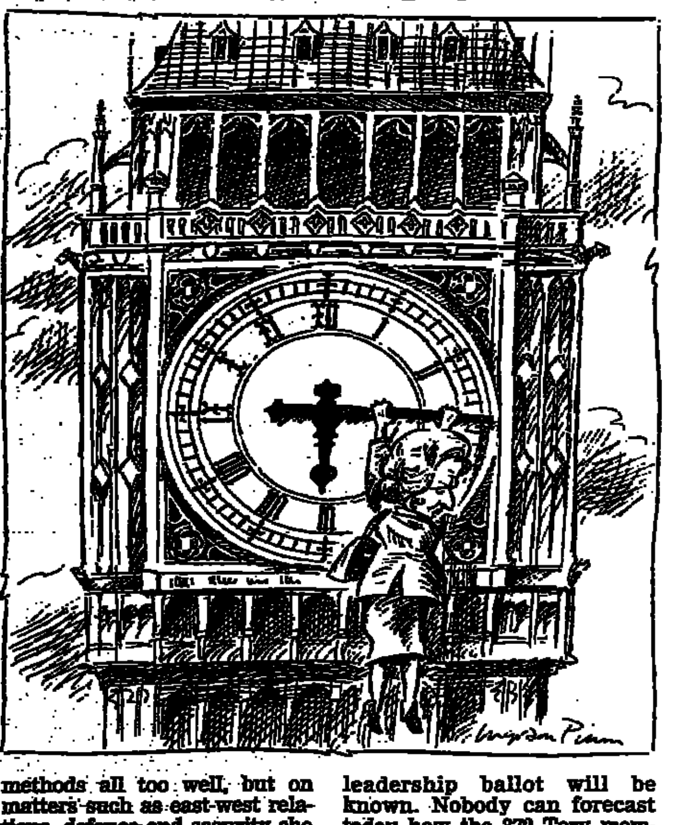
■ A US company is marketing a business kit. For $49.95 it includes a briefcase stuffed with tutorial booklets, audio casette and instruction manual. On the side it says, "Age 8 upwards".

هكذا من الأصل

POLITICS TODAY

To go or not to go - that is her dilemma

By Joe Rogaly



The decision that it is time to go is one of the most difficult for anyone to make; for a great leader it must be very nearly impossible. I have long believed, and on several occasions intimated in this space, that the most apposite day for Mrs Margaret Thatcher's retirement as prime minister was May 4 1989. That was the 10th anniversary of her arrival in office. The opinion polls had already started to record a turn against the Conservatives, but it is not wholly fanciful to argue that that day marked the apogee of her power and influence. She herself was superstitious about the date. Could it be that everything would go downhill from then on?

As every British television viewer knows, it has. The prime minister's domestic fan club, measured by those polls and confirmed by by-election results, has dwindled. Her remaining supporters are passionate in her defence, but there are fewer of them. Some of her former cabinet colleagues have resigned or been dismissed – a third since last year's portentous anniversary. Her leadership is now challenged by a formidable contender, Mr Michael Heseltine.

Wait a minute. This must be a problem for Mrs Thatcher's many overseas admirers. "Michael who?" some will ask. They have all heard of the Iron Lady, but the supposition was that she was unassailable. Whatever else Mr Heseltine may be, even a former defence secretary of some note, he is not an international figure.

It is therefore a fair assumption that most of the ambassadors to Britain representing the 34 members of the Conference on Security and Co-operation in Europe (CSCE) will have been asked for full telegrams explaining the domestic status of the British prime minister; these will be in the files of many of the heads of government, representing Europe's nations plus Canada and the United States, when they start arriving for the CSCE summit meeting in Paris on Sunday night. A second telegram will no doubt contain an assessment of Mr Heseltine. Some of the summiteers will read both; President George Bush may require only the Heseltine dossier.

I paint this picture because it presents Mrs Thatcher against the background that is most favourable to her – on the international stage, in the role of distinguished elder stateswoman. Her ability to negotiate with the 11 other members of the European Community may have been diminished as a result of the others coming to know her methods all too well, but on matters such as east-west relations, defence and security she has every reason to anticipate a respectful hearing. Her support of Mr Bush in maintaining a firm stance in the Gulf has justly earned his admiration.

No human being can fail to be affected by 11½ years of the kind of governing power available to a British prime minister; add to that star status in the US, top it up by the heady potion of an historic summit that is expected to establish European security for generations to come, and the awfulness of facing a set of arguments in favour of standing down is at once apparent.

Yet it is just such a set of arguments that may stare her in the face next Tuesday evening, while she is still in Paris. Shortly after six o'clock, London time, the results of the leadership ballot will be known. Nobody can forecast today how the 372 Tory members of parliament who may take part will vote; I suspect that a great many of them will not make up their own minds until after the weekend, when most of them will be in their constituencies, receiving advice and solicitations. If on the day upwards of 272 vote for Mrs Thatcher she might be home free. Such a victory would be solid enough for her to function as prime minister, albeit at a diminished voltage. If there were no further upsets she could survive to fight the next election. If the history of 1990 were turned on its head, she could even win it.

But say she gets fewer votes than that – enough to retain the leadership, but only on the basis that 100-plus of her own backbenchers have either supported Mr Heseltine or abstained. The higher that 100-plus figure turns out to be, the stronger the argument becomes for stepping aside so that others may have a chance. The argument is overwhelming if a second ballot has to be called. This could be the case if she fails to get more than half the possible votes – that is, 187 votes or more – or if she managed that but the gap between herself and her challenger was less than 56 votes.

We need not spend time on the complexity of the voting system. Suffice it to say that for MPs who wish to see Mrs Thatcher retire but mistrust Mr Heseltine the choice is agonising. If they vote Thatcher she may stay; if they abstain she may stay or they may get Mr Heseltine; if they vote for him they may get him.

I suspect that if there is a lowest common denominator of Tory backbench opinion it is that they would prefer a wider choice. Since there only two names on the first ballot, they have so to manipulate their votes and abstentions that a second round is forced on the party. They may achieve this, if only by accident. What then?

If Mrs Thatcher sticks to her stated intention of fighting on whatever happens, the answer is: probably Heseltine. For having won badly in the first round she would run a strong risk of losing supporters to her opponent in the second. In such circumstances the potential new entrants to the race who would stand the best chance of stopping him would be Mr Douglas Hurd or, just conceivably, Mr John Major. As foreign secretary and chancellor neither could run against her while in office. They sponsored her candidacy; they would have difficulty in going back on that while she remained a candidate.

I suspect that Mr Hurd has good reason to regret his sponsorship, but that is water under the bridge. He is genuinely free of the curse of unquenchable ambition, but he is not soft. He can see the possibilities as well as the rest of us. Tough. He is now trapped. Only a decision by the prime minister to wave farewell to the job she has called the most enjoyable in the world would cleanly release him to have a go in a second round. Over the past few weeks I have become much struck by how destiny has taken Britain's Conservatives in hand. They are now being played with. Could it be Mrs Thatcher's cruel destiny, hanging on to the telephone in Paris next week, to realise that only by sacrificing herself can she hope to deny the prize to Mr Heseltine, the successor she would most despise?

Agriculture negotiations in the Gatt

Still time to rescue a worthwhile agreement

By Tim Josling, Stefan Tangermann and T K Warley

In the past few days, thanks to deep differences between the European Community and the US over agricultural support, the prospect of a breakdown in the Uruguay Round of multilateral trade negotiations has begun to loom large.

Such an event would be a serious blow to the ambitious attempt to bring more of the world's trade under agreed Gatt rules. In agriculture, the prospect could be of a return to the price wars in export markets of the mid 1980s and a succession of skirmishes over import restrictions.

Is the collapse of the agricultural negotiations in the Gatt inevitable? Before despairing of the seemingly endless obstacles to an accord, negotiators should ponder on what has already been accomplished.

The EC and the US, together with the Cairns Group of 14 farm-exporting countries and most other major countries, now agree on two issues: that they must submit their national agricultural policies to international disciplines; and that they should reduce the degree of support and protection provided to their farmers by these policies. The US and the Cairns Group favour converting non-tariff import barriers to tariffs, eliminating export subsidies and changing the operation of domestic subsidies to avoid trade distortion. The EC has reluctantly agreed to tarification of its own import policies, subject to certain safeguards.

However, the EC has rejected a separate and stricter discipline on export subsidies, now the main issue dividing the Community from the US and the Cairns Group. On the reduction in support, the EC suggestion of a 30 per cent cut from the (high) 1986 levels implies about 20 per cent support reduction between now and 1995. The US proposal of a 75 per cent cut (based on 1986-88 averages) in import protection and domestic support would apply over a 10-year period beginning in 1991. These two are only consistent if support is reduced by about 10 per cent per year between 1996 and 2000. It is unlikely that the EC could agree to such cuts in advance.

Two other obstacles stand in the way of an agreement. One is the insistence of the EC that it should be allowed to tax imports of cereal substitutes and oilseeds to "rebalance" the level of support in the Community, and hence make Community-grown cereals more competitive on the domestic market. The US, backed by the Cairns Group, rejects such increases in protection. The other obstacle is the EC's suggestion that it be allowed to use a "price trigger" to operate safeguards that would buffer its internal prices in periods of exceptionally low world prices. The US plan admits the possibility of a transitional limited price trigger, but adds a condition that access be guaranteed by a series of tariff quotas which are increased over time.

Which of these key issues threatens the entire multilateral trade system with paralysis? The export subsidy is widely regarded as a pernicious policy instrument that ideally should be outlawed. Certainly subsidies have caused a disproportionate amount of friction in agricultural trade relations in the past decade. But it is not clear why the level of export subsidies is itself more serious an issue than the level of import protection or domestic subsidisation. Export subsidies are both visible and expensive, which tends to restrict their use.

They carry their own built-in constraints. No country can subsidise exports without import barriers that prevent reimportation. Hence, limiting the height of import barriers will *de facto* restrict the size of export subsidies. If countries do not trust this market arbitrage to work, then an explicit rule that export subsidies cannot exceed the height of the import tariff for the same commodity (as the EC has suggested) would seem to do the trick. If tariffs come down over time then so will export subsidies.

Yet, it would be useful if the EC could go a little further. It could consider reducing support for exported products by somewhat more (say, by 5 per cent more) than the general rate of reduction. And the EC could consider accepting a slightly more explicit commitment regarding export subsidies, very much in line with its offer regarding import tariffs. In particular, the EC could bind the commitment to bring its export subsidies down in parallel with domestic support prices, with a safeguard for cases of world market price drops equivalent to that suggested by the EC for import tariffs. In exchange for such a commitment, the US could accept having its deficiency payments on exported produce treated like export subsidies.

Should the level of support reduction be the breaking point for the agricultural negotiations? It is not clear that rejection of the EC's 30 per cent offer makes good sense for the US and the Cairns Group. It is true that the offer does no more than extend for five years the fall in EC protection levels experienced since the high point of 1986. But it is precisely the extension of this trend and prevention of its reversal that should be the main goal of the exporting countries. A multilateral agreement that locked the EC in to a continued support reduction would be an historic accomplishment that would shape the international trading system for the better. On the other hand, the EC would make life easier for its negotiating partners if it were prepared to engage in a somewhat larger cut (say, 35 or 40 per cent), even if the time horizon had to be extended for a year or two.

Should the Gatt Round fail as a result of the demand for rebalancing? The issue here is not so much the merits of a longstanding desire to remove an external discipline on the Cap (the Dillon Round bindings on oilseeds and cereal substitutes), but whether the EC can give adequate compensation in other areas for those countries that would be adversely affected. Any country can legally change a tariff earlier bound in the Gatt at any time: the issue is simply the amount of compensation that needs to be provided. The EC had hoped that the Uruguay Round would be a convenient time to settle this issue, but unless the EC's position in other areas was to be sweetened considerably it looks as if this item may have to be left over for future talks.

The issue of safeguards against import surges, and the related problem of guaranteed access to import markets, do have to be addressed now. The US has suggested that temporary tariff increases be allowed in periods of low world prices. The EC prefers its tried and trusted approach of a variable component in the frontier charge. Whatever safeguard mechanism is chosen, the key is to negotiate a transition over time to a situation where the mechanism is only operative in exceptional circumstances. The US proposal to guarantee market access by means of increasing tariff quotas poses a different issue. Such quotas could cause a problem for those countries that rely on private trade to conduct their import business. It is not clear how the allocation of such quotas could be accomplished without generating significant quota rents.

It is understandable that after four years of negotiation the US and the Cairns Group may feel that settling for a limited reduction in overall support may seem like a defeat. But combined with an agreement on changes in domestic and trade policy, the outcome could be very constructive. A movement towards the use of tariffs as the sole border instrument, and the classification of domestic subsidies by their degree of trade distortion and a reduction in export subsidies as domestic support levels fell, would add up to significant accomplishment.

The central objective for agriculture in the Uruguay Round was to begin a process by which nations are required to bring the level of farm support under binding international agreement. We have the best chance in 40 years of making a start down this road.

The authors are professors of agricultural economics at the universities of Stanford (US), Goettingen (Germany) and Guelph (Canada).

LETTERS

The problem of the Tory 'true believers'

From Mr Larry Siedentop.

Sir, Historical analogies are dangerous in British politics, especially at the moment. There are good reasons for thinking that the present leadership crisis whatever its outcome will have results quite different from the leadership crisis which saw Eden succeeded by Macmillan, Macmillan by Hume and then Heath, or even Heath by Thatcher.

The source of the difference is the intensely ideological character of the Thatcher government. Whatever the strengths or weaknesses of Thatcherite ideology (with its free market assault on a quasi-corporatist economy and social complacency) there can be no doubt that it has created a large number of "true believers" – people who no longer see political decisions or the choice of leaders in a pragmatic, short-term framework but apply a far more stringent test.

In the last decade many party activists and supporters have found political conviction entering their lives. They are unlikely now to be willing or even able to give up that conviction.

Doubtless the eruption of conviction in British politics has social sources. It is sustained by a lower-middle-class constituency which long took its cues from the more patrician sector of the party but which has, with the help of Thatcherism, come into its own. Determined and assertive, it will not easily be put down or driven back into earlier deferential ways.

That creates a problem for the Conservative party. For it has always been a party governed more by manners and short-term interest than by ideology. But it now consists to an important extent of people who no longer share these conventions and habits. They want, and in a sense need, inspiration from party programmes and leaders, all the more so since an unwritten constitution provides no focus for the loyalties of a social group which has relatively suddenly assumed a dominant role in the political system.

There is a real possibility that the new "true believers" in the Conservative party will create the sort of problem which has previously dogged the Labour party: that is, an important section of supporters whose eyes are focused not on immediate electoral advantage so much as the propagation of doctrine.

Such people will not behave as Tories traditionally behaved after a leadership crisis. They will not unite behind a new leader and present a common front with few questions asked. If the new leader reverts to a consensus approach (and, still more, if the new leader exudes, however slightly, public school condescension) the ideological and social hackles of the "true believers" will be raised. They will become a permanent problem for a traditionalist leader.

Larry Siedentop,
Keble College,
Oxford

War leader

From Mr Jan Salonen.

Sir, On the eve of war, is the Tory Party about to replace a Churchill with a Chamberlain?

Jan Salonen,
Lilla Ullholmswagen 1B14,
Helsinki, Finland

Towards a longer-term view

From Mr David Fifield.

Sir, Both Allen Sykes's article ("Bigger carrots etc," October 31) and your editorial ("Short-termism reappraised," November 7) on Professor Paul Marsh's paper on short-termism stress an Anglo-Saxon, skewed view of ownership.

A company through its legal status has three key stake holders – the owners, the managers/employees and the suppliers/customers. In German and Japanese companies the interests of the three are much more closely matched.

This encourages a longer-term view of corporate well-being which manifests itself through training and evolutionary product design. Superior manufacturing performance follows. Perhaps closer association with the European Community will lead to a more profitable balance for Britain.

David Fifield,
Oaklands,
Weston Underwood, Bucks

SKY/BSB programme prospects

From Mr J.G. Anderson.

Sir, Christopher Dunkley ("Inside the spider's larder," November 7) was surely altogether too gloomy about the prospects of good services from the Sky/BSB merger.

He has cause to be worried about the possible demise of many hours of "weekend culture" as recently delivered by BSB's Now channel, but he will concede that UK terrestrial television has never delivered such a service and never will. At least the advent of new channels via satellite, with all their possibilities of "narrow-casting" to minority audiences, holds out the prospect of more TV ballet, opera and concerts.

Maybe the limited audience base of Sky/BSB will rule that out for the moment, depending on the decisions to be taken on the most effective programme mix for the merged channels. Nevertheless, as satellite TV expands its audience base, someone will use an SES-Astra transponder to deliver that kind of service.

Likewise, Mr Dunkley seems to be rushing to judgment in suggesting that the highly regarded Sky news channel is an inevitable casualty of the merger. Again, time will tell, but so far Sky has been willing to back that channel more heavily than any of the others.

Mr Dunkley is over-gloomy too in suggesting that, as the merged channels will transmit in Pal, the potential benefits of a better transmission standard as a path towards high-definition television have been lost. In due course, when the market base is strong enough to support a change, there remain exciting technical possibilities for up-grading.

Now that the merger is proceeding, one hopes that Mr Dunkley and others will start to take a more positive view of the potential benefits. For once, with Sky/BSB, the UK has a strong lead in a new market that has explosive growth possibilities. And in using the SES-Astra "hot-birds", the merged service has access to the whole of Europe. Programme-makers and equipment manufacturers stand to benefit greatly in the long-run, as well as the shareholders.

There is no reason to suppose that Sky/BSB will not deliver quality programmes as well as mass-appeal programmes. The two investors most experienced in TV, namely News International and Granada, have shown for years that it is a mix of product that makes money, not just going for the lowest common denominator.

John Anderson,
Technology Advisory Services,
189 Kingston Road, SW19

Departure of an editor

From Mr Fahri Gorgulu.

Sir, Observer included an untruthful item ("Pressed out," October 30) concerning myself and Mr Metin Munir, your former Ankara correspondent, and until two weeks ago, editor of Gunes Newspaper, of which I am a director.

I would like to present the true facts.

Fourteen months ago, despite Mr Asil Nadir's initial opposition, it was I who invited Mr Munir to run the paper. Now Mr Nadir has dismissed him because of his clear failure as an editor. It was my regrettable duty to tell him the decision of our boss.

I would not have expected Mr Munir to fabricate an excuse for his dismissal from the paper. As regards his problems in the period when he was your Ankara correspondent and democracy was temporarily suspended in Turkey, he is well aware that I was one of the people who prevented his expulsion.

As for the description of myself as a former "police boss", I am a graduate of the School of Political Sciences and rose progressively to be provincial governor and under secretary in the ministry. This background made me eligible for the appointment of director general of national security, to which only governors can be appointed.

I was initially reluctant to be appointed to the position, but I do not regret the more than three years I spent in it, during which I reorganised the Turkish Police Force. I have always been proud to have headed the Turkish police who – even in the revolutionary times during which I held my post – have always showed sufficient fairness never to attack a private business, unlike some things that happen in your country.

Fahri Gorgulu,
vice chairman,
Gunes Newspaper
Istanbul,
Turkey

FINANCIAL TIMES
Friday November 16 1990

Van Gogh cornflowers withered by recession

By Antony Thorncroft in London

A VAN GOGH painting has become one of the latest casualties of the recession.

Fears of an economic downturn and a Gulf war are damping art auctioneers' profits and confidence, and they can do little but batten down the hatches and persuade potential sellers to expect modest prices for their works of art.

The more austere mood was illustrated on Wednesday night in New York when Christie's offered for sale one of Van Gogh's last paintings, a vase overflowing with cornflowers and poppies. Despite Van Gogh's flower paintings being the most desirable icons of modern art, the lot was withdrawn, unsold.

The best bid was $9.5m. Christie's had anticipated the downturn in demand by putting a modest $12m-$16m estimate. It would certainly have persuaded the seller, a museum in Buffalo, New York, to accept less for the painting, which lacks the immediate appeal of Van Gogh's Sunflowers and Irises.

The outcome was in contrast to the heady days of 1987 when Christie's signalled the start of the boom in the art market by disposing of a version of Sunflowers for $39.9m. A few months later, Mr Alan Bond celebrated his financial apogee by paying $53.9m for the luminously blue Irises.

This week the market received its first serious test since the economic downturn, with Sotheby's and Christie's holding important sales of Impressionist and modern art in New York. In three days the auction houses expected to pull in more than 15 per cent of their annual turnover and even more of their profits.

Last year, Sotheby's grossed more than $340m from its New York autumn sales, with Christie's not far behind. This year Sotheby's sold art for just $165m.

It is not all gloom. By being selective in the pictures taken for sale and by persuading sellers to accept estimates more in line with the prices prevailing in 1988 than at last winter's peak, Sotheby's and Christie's managed to find buyers for most of the items on offer.

Arts, Pages 16,17

Van Gogh's Jardin de Fleurs fetches a world record for a drawing of $8.36m in New York

Row erupts over financing German unity

By David Marsh in Bonn

A FIERCE ROW over financing German unity erupted yesterday between Social Democrat- and Christian Democrat-ruled regions, as the government's economic advisory council issued a stern warning of the risks of rising budget deficits.

At a meeting of the Finance Planning Council, linking the central government and the federal states (Länder), Mr Theo Waigel, finance minister, came under attack from the Social Democrat (SPD) opposition.

Mr Gerhard Schröder, Lower Saxony's SPD premier, charged that Mr Waigel in his budget savings plans was trying to "suck blood" from the Länder and municipalities.

Yesterday's row centres on Mr Waigel's demand that west German Länder should halve their 1991 deficits to DM10bn ($6.7bn) in order to allow financing room for the expected DM25bn shortfall for east German local government.

Mr Kurt Biedenkopf, Christian Democrat premier of the east German state of Saxony, which expects a DM6bn deficit next year, repeated yesterday that tax increases to finance unity could not be ruled out.

Amid a generally sceptical reaction to Mr Waigel's plan to seek DM35bn in central government budgetary savings next year, Mr Oskar Lafontaine, the Social Democratic leader, said that tax increases were only a matter of time.

Fighting an uphill battle for the December 2 general election, he told a rally in Bonn on Wednesday night that the government had "no concept" in its budget policies. Chancellor Helmut Kohl was deceiving the voters by ruling out tax increases to finance unity.

The argument over sharing the burdens for the higher than expected cost of unity was fanned by the annual report from the economic advisory council, which advocated annual budget cuts of at least DM100bn by 1995. Unless vigorous budget savings were implemented, the overall public sector deficit was likely to remain at about 5 per cent of GNP every year until 1995.

The council of independent academic economists said that continuing deficits of this level would boost interest rates, dampen economic growth and threaten confidence in the D-Mark.

FORECAST FOR GERMAN DEFICITS
(Overall public sector deficit, including German Unity Fund)

	1991	1992	1993	1994	1995
Change in nominal gross national product (%)					
West Germany		6	6	6	6
East Germany		7	8	9	9
Total spending (DMbn)	971.0	1017	1080	1147	1218
Deficit (DMbn)	150.0	145	158	168	177
Deficit as % of GNP	5.5	5	5	5	5
Interest charges as % of total spending	8.0	9	9.5	10	11

Source: Council of Economic Advisors

Thatcher confident of victory in party poll

By Philip Stevens and Ralph Atkins in London

MRS MARGARET Thatcher, the UK prime minister, yesterday confidently predicted victory in her leadership contest with party opponent Mr Michael Heseltine as senior ministers offered public support for her policies on Europe and a controversial new local tax.

Amid a tense and conspiratorial atmosphere among Tory MPs at Westminster there were clear signs that Mr Heseltine's pledge to overhaul the so-called poll tax had unsettled the prime minister's supporters.

In Mrs Thatcher's camp there was also behind-the-scenes criticism of what was seen as less than unequivocal public support for the prime minister from some ministers - including Mr Douglas Hurd, the foreign secretary.

Her aides, however, promised a barrage of speeches, statements and interviews from senior ministers over the next three days to emphasise that the Cabinet was united in support for her continued leadership.

The jitters among the prime minister's supporters were reflected in the attacks by some loyalists on Mr Hurd. He was criticised for refusing to rule out his own candidacy if Mrs Thatcher failed to win a majority in next Tuesday's first ballot.

The fear on Mrs Thatcher's side is that the possibility that Mr Hurd could emerge as a candidate in the second round might encourage some MPs to abstain rather than vote for her in the first ballot.

In the House of Commons, the prime minister brushed off any suggestion that she might face defeat. She promised to return from Paris next Wednesday to deliver a prime ministerial report on the Conference on Security and Cooperation.

Mr Heseltine, who travelled to Scotland last night to campaign in the Paisley by-elections, repeated his pledge to reform the poll tax either by relating it more directly to the ability to pay or by removing responsibility for education spending from local authorities.

The former defence minister also sought to enhance his appeal with right-wing Tory MPs by promising to consider the introduction of "workfare" schemes for the unemployed.

His statements forced an unscheduled Cabinet discussion of the poll tax so that ministers could establish an agreed position. That emerged in the Commons when Mrs Thatcher said that many of the changes agreed in this year's review of the tax had yet to be implemented

While leaving the door open to further minor adjustments, she said that transfer of education responsibilities proposed by Mr Heseltine would force either an increase in income tax or cuts in other areas of public spending.

Parliamentary debate, Page 9; Politics Today, Page 19

THE LEX COLUMN

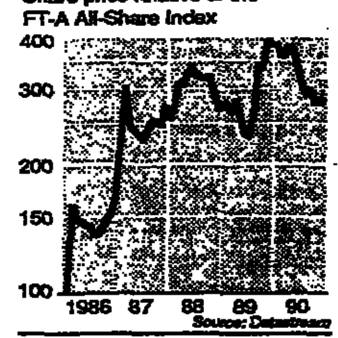
The glamour fades at Wellcome

For bears of the London market, the fact that its 20th biggest stock can drop 15 per cent on one set of figures is further proof of low morale. But Wellcome has always been a uniquely volatile stock, capable of huge one-day surges as well as falls. This results partly from lack of knowledge on the progress of Aids, partly from the fact that stocks with abnormal growth rates are abnormally hard to price. On the basis of yesterday's results, the latter may not apply any more.

The full year results themselves – earnings up 15 per cent, dividends up 29 per cent – are perfectly respectable. The snag is that the market has accustomed itself to thinking of Retrovir as another Zantac and Wellcome as another Glaxo. But Retrovir's growth is plainly slowing. A sales increase of 27 per cent is less impressive measured against a rise of more than 60 per cent in the numbers taking the drug. It also seems likely that there will be competition on the market within two years. Competition is also arriving for the herpes drug Zovirax, which accounts for a quarter of group sales; and Wellcome is better known for its science than for its marketing edge.

Since analysts yesterday cut their forecasts by at least as much as the fall in the shares, Wellcome's rating remains the highest in the sector at over 15 times earnings. In growth terms, it may be hard pressed to match Glaxo or even SmithKline Beecham over the medium term. Wellcome remains a remarkable company; but its days as a wonder stock seem over.

Wellcome
Share price relative to the FT-A All-Share Index



Source: Datastream

UK economy

If the Bank of England quarterly bulletin is right and wages respond more to changes in unemployment than the absolute level, the authorities should get masochistic comfort from yesterday's figures. The 32,000 increase in September's unemployed is three times the average monthly rise since March. But it is still less than last year's average monthly fall in unemployment and is only half the monthly increase seen during the 1980 recession. By most continental standards UK unemployment is still very low. It would have to increase by another 650,000 to get to the EC average.

The great fear for the government must be that unemployment will have to rise above the EC average in order to bring inflation under control. The Bank of England continues to thunder on about the dangers of excessive wage increases; but it is hard to imagine the UK workforce suddenly taking notice. Factory gate prices are rising by 6 per cent, productivity is declining and unit wage costs are growing at an annual rate of close to 10 per cent in the third quarter compared with 6.3 per cent a year ago. It all suggests the recession and squeeze on corporate profitability is going to be even more severe than imagined.

Burton

The new Burton board has started well, but the hardest work lies ahead. It had the sense to do a deal with Sir Ralph Halpern, rather than risk an even costlier legal process. It also realised the best way forward was to offer an unprecedentedly detailed breakdown of its trading performance and promise squeaky-clean disclosure in future. The result was a 16 per cent jump in the share price yesterday, valuing the group at £433m. Given that it had just confirmed a dividend cut and announced a property write-down representing nearly 30 per cent of that amount, the reaction looked generous. But the shares are still yielding over 10 per cent, showing the market retains its caution.

The assumptions behind the write-down are crucial. If they prove adequately conservative and Burton actually makes site sales within the timetable, there should be no more bad news. And look at the neat timing of the provision: it coincides for accounting purposes with a £28m five-year revaluation benefit and the profitable sale of the financial services arm. So Burton takes its hit and shareholders' funds actually rise.

Deep worries remain on the retailing side. Debenhams is finally ready to become cash positive. But the group needs sales growth of around 4 per cent just to stand still this year, which looks unlikely given last year's record and the fact that margins remain under severe pressure. Glamour has been overthrown in favour of grind; the same may be true of the shares.

Royal Insurance

There is something that smacks of short-termism in yesterday's strong rally in Royal. There is genuine good news around concerning insurance pricing at Lloyd's and in the UK domestic market, but not enough to justify the 5 per cent leap in Royal's shares. The classes of insurance where Royal is definitely pushing premium rates up – UK motor and household – are only one-fourth of its global business. As Royal's £91m nine-month pre-tax loss shows, there are lots of other bits of the company, like its cash-eating UK estate agencies or its US property/casualty business, which are being managed back to health only gradually.

Nor will the dividend and balance sheet issues subside, however much the market would like them to. If Royal increases its final dividend in line with the interim, the combined pay-out would cost £129m: surely too large an outflow given the state of its balance sheet. Quite correctly, Royal says conventional solvency margins are only a crude measure. It is scarcely the end of the world if at 35 per cent its margin is at its lowest since 1974. But for any investor with more than a six-month time horizon, it is hard to see that its balance sheet is strong enough for the 1990s.

Racal

This year's second attempted buy-out of a FT-SE stock is beginning to sound almost as bizarre as the first. Take a hurried weekend board meeting with no financial advisers present, an obvious shortage of independent non-executive directors and an entrepreneurial figure who has held down the twin jobs of chairman and chief executive longer than the boss of any other major UK company, and one can understand the institutions' unease over Racal's proposed restructuring. Yesterday's clarification looks more like a climbdown, and makes the chances of a successful buy-out of the rump of the business even harder to predict.

French say Pöhl has ignored fall in dollar

By George Graham in Paris

GERMANY is so preoccupied with its internal affairs that it is neglecting the consequences for the world economy of the decline in the dollar, Mr Pierre Bérégovoy, France's finance minister, claimed yesterday.

"They are looking a bit too much at what happens at home and not enough at what happens in the world," he said.

Singling out Mr Karl-Otto Pöhl, the Bundesbank president, for criticism, he complained that the Bundesbank chief recognised the need for order in the European monetary system, but apparently not in the international foreign exchange markets.

Mr Bérégovoy last week called for an emergency meeting of the Group of Seven leading industrial nations to discuss the dollar's plunge.

His call for a meeting was welcomed by Italy, but has received little support from other countries. Mr Bérégovoy said, however, that Mr Nicholas Brady, the US Treasury secretary, had agreed with him on the need for co-ordination and that Japan was not hostile to the idea of a meeting.

Germany, on the other hand, has made clear that it sees no need for the G7 to meet and is comfortable with the slide of the dollar, which reinforces its own anti-inflation policy by strengthening the D-Mark.

Although the decline of the dollar could weaken activity in other economies by making their exports more expensive, it also brings a short term bonus by reducing the impact of the rise in oil prices.

"This meeting will happen sooner or later, and the sooner the better, but happen it will – unless the Seven renounce monetary co-ordination, which I do not believe," Mr Bérégovoy said.

He added that he did not believe the current weakness of sterling would create a need for a realignment of the EMS exchange rate mechanism.

"I note the weakening of the pound, which is due partly to the situation of the British economy and also, for a not insignificant part, to the political situation.

"I do not think that will mean a realignment for the European monetary system in the near future," he said.

● France's inflation rate remained stable at 3.8 per cent last month, according to provisional figures by Insée, the state statistical service.

Mr Bérégovoy said the inflation figure was good in the current economic climate, and that only the Netherlands had recorded a lower increase in prices in October.

The gap between French and German inflation rates shrank to 0.5 per cent; Mr Bérégovoy said that for the first time the price of manufactured goods was now rising more slowly in France than in Germany.

Insée said prices rose by 0.5 per cent during the month. Excluding the impact of higher energy prices, the rise would have been only 0.3 per cent. November's price index should reflect lower petrol prices.

US seeks delay in loans for Brazil

Continued from Page 1

tor budget deficit. The government has said it can only afford $1bn in foreign interest payments.

However, some governments, including that of the UK, and some staff of the institutions do not support the widening of the issue to include project loans from the World Bank and IADB.

During his recent visit to Tokyo, Mr Collor gave clear indications that Brazil was now taking a more flexible position.

Addressing leading Japanese businessmen and bankers on Wednesday he said Brazil was not imposing limits on how the debt would be negotiated or insisting that it must all be dealt with in one package rather than treating the arrears separately.

In a hard-hitting speech which mostly centred on the debt issue Mr Collor called for Japanese support for the Brazilian position. According to press reports, in order to facilitate this he has agreed to pay $270m owed by Brazil to the Japanese companies Nippon Steel, Kawasaki Steel and Ishibras.

Monthly surge takes British unemployment above 1.7m level

By Rachel Johnson, Economics Staff, in London

FIGURES showing the biggest monthly rise in UK unemployment for more than four years, out yesterday, indicate that the British economy is in a recession that could last until the end of next year.

The government announced that seasonally-adjusted unemployment in October rose by a "disappointing" 32,300 in the month to pass the 1.7m mark.

There is a growing consensus among City of London economists that the latest figure makes the Treasury's forecast that the current economic slowdown would be both shallow and short-lived appear unrealistic. In last week's autumn statement, the government said unemployment "may continue rising in the months ahead as the economy slows further".

But the unexpectedly large rise appeared to be part of a much bleaker picture.

The underlying increase in average earnings across the whole economy rose to 10.25 per cent in September, after 10 per cent the previous month. The rise in earnings was coupled with a decline in manufacturing output. This pushed the rise in manufacturing unit wage costs to 10.6 per cent: the highest level since the 1981 recession.

The unemployment rate rose from 5.9 per cent of the workforce in September to 6 per cent in October. A growing number of City economists now see unemployment as likely to rise to about 2.2m, or 7.6 per cent of the workforce, by the end of 1991. The Treasury's forecast of ½ per cent growth next year and the government's belief that job creation will resume are widely regarded as too optimistic.

The grim news on employment and wages coincided with a blunt warning from the Bank of England that unemployment would rise sharply unless pay bargainers agreed to lower pay increases. In its latest quarterly bulletin, the Bank said the slowdown in the British economy would be steeper and more prolonged into 1991 than previously thought.

Mr Michael Howard, the employment secretary, warned that the upward trend in unemployment would not stop as long as pay settlements continued at "unrealistically high levels".

Mr Neil Mackinnon, economist at Yamaichi, the Japanese securities house, said that since the UK's rate of wage inflation was higher than that of most other countries within the exchange rate mechanism, its unemployment rate would rise far above the current ERM average of 8 per cent during a "long drawn out recession".

Mr Tony Blair, the opposition Labour Party's employment spokesman, said the "appalling figures" showed that the recession was "here now and deepening".

The gloomy figures, however, had little impact on London's financial markets. Sterling closed slightly higher on the foreign exchanges, at 93.7 on the Bank of England's trade-weighted index, was unchanged.

Bank warning on unemployment, Page 10; Lex, Page 20; London Stock Exchange, Page 37; Currencies, Page 44

WORLDWIDE WEATHER

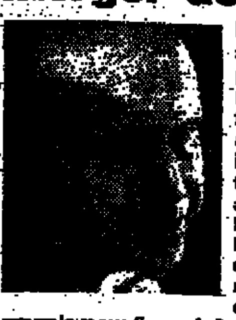
		°C	°F
Ajaccio	F	18	61
Algiers	F	21	70
Amsterdam	F	12	54
Athens	C	19	66
Bahrain	S	27	81
Bangkok	F	31	88
Barcelona	F	16	61
Beirut	-	-	-
Belfast	C	10	50
Belgrade	R	5	41
Berlin	C	11	52
Biarritz	Dr	14	57
Bombay	S	33	91
Bordeaux	C	15	59
Boulogne	F	12	54
Brussels	C	11	52
Budapest	C	5	41
Buenos Aires	C	27	80
Cairo	S	29	84
Cape Town	S	19	66
Caracas	C	28	82
Casablanca	S	21	70
Chicago	S	17	63
Cologne	C	9	48
Copenhagen	C	9	48
Corfu	F	19	66
Dallas	F	23	73
Dublin	C	12	54
Dubrovnik	R	13	55
Edinburgh	C	10	50
Faro	S	23	73
Florence	S	16	61
Frankfurt	C	8	46
Geneva	C	9	48
Gibraltar	S	19	66
Glasgow	R	9	48
Helsinki	F	-4	25
Hong Kong	C	27	81
Innsbruck	R	6	43
Inverness	C	11	52
Islamabad	F	24	75
Istanbul	S	17	63
Jakarta	R	33	91
Jersey	F	13	55
Johannesburg	F	22	72
Lima	F	19	66
Lisbon	S	19	66
London	F	13	55
Los Angeles	S	17	63
Luxembourg	C	8	46
Madeira	C	21	70
Madrid	S	15	59
Majorca	S	19	66
Malaga	S	22	72
Malta	S	19	66
Manchester	C	10	50
Manila	C	33	91
Melbourne	S	17	63
Mexico City	m	m	m
Miami	F	26	79
Milan	Fg	4	39
Montreal	S	12	54
Moscow	S	-5	23
Munich	R	7	45
Nairobi	F	22	72
Naples	S	18	64
Nassau	C	27	81
New Delhi	S	26	79
New York	C	21	70
Nice	F	16	61
Nicosia	S	23	73
Oporto	S	17	63
Oslo	R	5	41
Paris	C	12	54
Peking	S	12	54
Prague	F	12	54
Reykjavik	Dr	5	41
Rhodes	S	20	68
Rio de Janeiro	F	36	97
Rome	C	16	61
Salzburg	C	9	48
San Francisco	S	16	61
Seoul	C	19	66
Singapore	F	30	86
Stockholm	C	4	39
Strasbourg	C	10	50
Sydney	C	26	79
Taipei	C	28	82
Tangier	S	21	70
Tel Aviv	S	27	81
Tenerife	F	23	73
Tokyo	S	20	68
Toronto	S	11	52
Tunis	F	18	64
Valencia	S	24	75
Venice	F	11	52
Vienna	R	7	45
Warsaw	C	6	43
Washington	S	23	73
Zurich	F	7	45

Temperatures at midday yesterday C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1990 Friday November 16 1990

INSIDE

Insurers unveil merger details



Maurice Lippens (left) and Hans Bartelds are pleased to announce the merger of their respective insurance companies, Groupe AG of Belgium and Amev of the Netherlands. Seven and a half months of hard talking have been brought to a "successful conclusion". The chairmen yesterday revealed details of the joint group's new financial structure. They also claimed that the combined entity will be the first full EC merger in the financial services sector. Page 22

Art of the matter

The walls of Polly Peck's headquarters in London's prestigious Berkely Square will soon be bare as a planned auction of the company's antiques and paintings draws near. Asil Nadir is also doing his best to raise cash on his first visit to Turkey and Cyprus since the group was placed in the hands of administrators. He is expected to try to raise funds to stave off a bankruptcy petition brought against him earlier this week. Page 31

Banking crusade goes wrong

Bank of Ireland, sometimes accused of operating a duopoly in its home market, has spent a lot of time and shareholders' funds buying its way into overseas, particularly US, markets. Judging from the bank's latest results, BoI has bought itself nothing but trouble. Now there is corporate blood on the carpet, with the resignation of chief executive Mark Hely Hutchinson. Kieran Cooke reports on an expansionary crusade that went wrong. Page 30

Yet more bad news for Australia

The bad news continues for Australian banks. Westpac Banking is the second financial services group to report poor results in a fortnight. Its 14.6 per cent fall in net earnings is well behind that of its competitors largely because of the bank's bad and doubtful debt write-offs which more than doubled for the year. One of the few glimmers of hope has been overseas banking operations which lifted their contribution by 12 per cent. Page 25

Heavy claims hit Royal

Disappointing third-quarter results for Royal Insurance, the leading UK general insurer, indicate the scale of difficulties facing the British insurance market. Heavy claims from fire, motor and other lines of business have added to problems caused by storm and subsidence losses. Royal insures about 15 per cent of UK homes. Page 29

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
AG Ind & Verk	850	+	20
Brown Boveri	765	+	25
Lahmeyer	1065	+	45
Linde	792	+	18
Springer Axel	755	+	15
Falls			
Zanders Fein	227	–	7.8

NEW YORK ($)

Rises			
Hse Of Fabrics	29⅛	+	1⅞
Falls			
A&P	38⅞	–	2⅝
Mcdermott Int	25⅞	–	1⅝
Motorola	53	–	3
Sea Containers	36	–	2
Tambrands	63	–	4⅛

New York prices at 12.30pm.

PARIS (FFr)

Rises			
Cetelem	460	+	20.5
Club Medit	424.9	+	9.8
Dollfus-Mieg	387.9	+	11.9
Eurafrance	1350	+	58
Radiotech	347.9	+	11.9
Falls			
Fromageries	1630	–	80

TOKYO (Yen)

Rises			
Fujikura	777	+	23
Honshu Paper	2810	+	120
Kyudenko	2170	+	30
Shiseido	2230	+	50
Falls			
Hitachi	1100	–	10
S'tomo Metal	430	–	18

LONDON (Pence)

Rises			
Bass	998	+	21
Burton	77½	+	10½
Cater Allen	361	+	10
Gen. Accident	445	+	18
Grand Met	571	+	15
Northum Water	240	+	9
Ratners	185	+	14
Reed Ind	378	+	13
Royal Insce	390	+	17
Falls			
Aspen Comms	128	–	10
Bennet Foods	10	–	5
Eurotunnel New	75	–	49
Halma	147	–	14
Invicta	77	–	7
Maxwell Comms	139	–	8
Norfolk House	134	–	9
Trafalgar Hse	154	–	9
Tusker Res	20½	–	2½
Wellcome	383½	–	67½

Sir Ralph Halpern (left) will be replaced by Sir John Hoskyns (right) in the role of non-executive chairman and Laurence Cooklin will become chief executive

Colourful executive quits top UK fashion group

By John Thornhill and Andrew Hill in London

SIR RALPH Halpern, one of the most colourful and controversial British businessmen of recent times, yesterday quit as chairman and chief executive of Burton Group, the UK fashion retailer, with a pay-off of £2m ($1m) and a pension of £456,000 a year.

The move came yesterday as the company announced a sharp fall in annual pre-tax profits from £216.8m to £133.1m and took a extraordinary write-down of £119.5m on its property interests.

Sir John Hoskyns, a former head of UK Prime Minister Margaret Thatcher's policy unit who joined Burton as a non-executive director eight months ago, will take over as non-executive chairman. Mr Laurence Cooklin, joint managing director, will become chief executive.

Sir John said yesterday: "There was no question of Sir Ralph being pushed. It was by mutual agreement."

Sir Ralph, 52, has worked at Burton for almost 30 years. He became the first UK businessman – excluding bankers – to receive a £1m salary. He had three years of his contract to run. Sir John said that considering Sir Ralph's length of service it was "not an unreasonable payment."

Some institutional shareholders, who have been vocal critics of the way the company has been run and its "excessive" executive payments, expressed dissatisfaction with the compensation package.

"It does appear to be rather a generous settlement," said one fund manager drily. "I know it's all been contractually agreed, but it's a pretty fancy pension by anybody's standards." The move was welcomed by London analysts. Burton shares ended the day 10½p up at 77½p.

There was also relief that the extent of Burton's exposure to property development was now quantified. However, there was disappointment that the dividend had been cut to 6p (9.2p) and that earnings per share had fallen to 17.3p (26.1p).

Burton employees had been instructed not to comment on the management changes. The young manager of one store, who claimed to earn "about what Ralphy gets in a day", said he did not begrudge the ex-chairman his compensation and pension. "It's a lot of money, but he deserved it. He was a brilliant bloke in his time – we're all sad he's gone."

Retailer who outstayed his glory days

John Thornhill reports on the departure of Sir Ralph Halpern from Burton Group

Sir Ralph Halpern's departure as chairman and chief executive of Burton Group is an example of the way the skills that serve business leaders well in one era often become liabilities when times change.

Feted in the late 1970s and 1980s as a retailer of genius, who turned the dowdy Burton company into a string of snappy high street chains, Sir Ralph had acclaim heaped upon him: a million pound salary, a knighthood, and celebrity status.

But in the very different trading environment on today's high street, Sir Ralph is seen by the City as yesterday's man, one of the flamboyant executives who emerged in the bull market days of the 1980s but who are unsuited to dealing with the current recessionary climate. Excellent at expanding the business, he did not prove so adept at consolidating it.

As Burton now grapples with its over-extended property interests and tries to tackle what it claims are the worst trading conditions since 1974, the emphasis is increasingly placed on cutting costs, managing the cash flow and concentrating on the nitty-gritty of the balance sheet.

Sir Ralph, whose parents came to Britain as refugees in the 1930s, worked his way up from the bottom at Burton and was employed by the company for nearly all his working life. Starting on the shop floor, his energy and determination resulted in a rapid climb up the corporate ladder and he became chief executive in 1977 and chairman in 1981.

In the early "glory days" Sir Ralph, with the then chairman, Mr Cyril Spencer – who later lost out to Halpern in a bruising power struggle – built up one of the most powerful retailing forces on the high street.

Sir Ralph applied his undoubted flair in creating and developing strong brands such as Top Shop, Top Man, Dorothy Perkins, and Principles and added others through acquisition. He heavily expanded the group's high street presence and built up its share of the UK clothing market to 12½ per cent, putting it second only to Marks and Spencer.

He inspired great loyalty among some - one shareholder described him as England's second greatest man this century after Churchill - but aroused equally strong antipathy from others, who disliked his brusque manner.

Tough, abrasive and dismissive of criticism, Sir Ralph drove the business forward even though he trampled on toes in the process.

One former colleague said: "Within the group people disliked his management style, but he had a feel for the business and was a natural entrepreneur. His value was added through his vision not how he managed his people.""

His method also produced results and Burton's profits grew strongly through the early 1980s. Then, in 1985, Sir Ralph capped it all with the audacious acquisition of the Debenhams stores for £560m. The takeover was fiercely fought, and was subsequently investigated by the Department of Trade and Industry, which concluded that no improper behaviour surrounded Burton's victory.

But towards the end of the decade things began to come unstuck. The Debenhams stores were expensively revamped, but took longer to show results than Sir Ralph had expected. Burton's hectic rate of expansion caught up with it and its substantial investment in property development left it horribly exposed to the subsequent slide in real estate values.

As trading slowed under the onslaught of high interest rates, the group's own interest payments ballooned, rising from £17.7m in the year to September 1987 to £38m in the year just ended. This year profits fell precipitously from £216.8m to £133.1m.

A growing divide also became apparent between the company and its institutional shareholders. They disliked what many saw as Sir Ralph's high-handed manner – one former colleague said he "had the attitude that he was obviously right so why question him." And they objected to a generous executive share option scheme in 1987. The proposal, which was later modified, would have given Sir Ralph almost £8m if profits had continued to rise as before.

While the company was growing, shareholders were inclined to ignore Sir Ralph's approach but once trading dipped they became less forgiving.

Sir Ralph's departure will change the way the Burton board worked. One influential institutional investor said "I think for quite a period Sir Ralph was a very dominant figure on the board of the company and that that was not a good thing." Sir John Hoskyns, the new chairman, is likely to adopt a very different approach.

Burton's shares fell steadily; earlier this year the company suffered the ignominy of dropping out of the FT-SE 100 share index.

What Sir Ralph will do now is unclear. He said little yesterday about his future intentions. But he does have considerable interests outside Burton as chairman of the British Fashion Council and a trustee of SANE (Schizophrenia - a National Emergency).

Provision pushes Volvo into the red

By Robert Taylor in Stockholm

VOLVO, the Swedish vehicle group and Scandinavia's largest private company, yesterday reported an unexpected loss of SKr193m ($35m) for the first nine months of 1990, against a profit of SKr6.17bn a year ago.

However, the company's chief executive officer, Mr Christer Zetterberg, said Volvo had provided SKr2.45bn for the cost of its restructuring programme in the third-quarter figures.

If these are excluded, Volvo would have made a group profit after financial items of SKr209m for the third quarter instead of a SKr2.24bn loss, and a profit of SKr2.26bn for the first nine months.

However, this does not detract from the growing squeeze on Volvo's margins as a result of a tightening market, not just for its cars but also for trucks and buses, especially in the key markets of the US, Britain and Sweden.

The group reported a 2 per cent decline in sales to SKr62.44bn for the period. Volvo says a lower sales volume in cars led to a small financial loss. There was a 13 per cent drop in car sales in the Nordic region, and a 12 per cent decline in Britain. Deliveries to western Europe fell to 135,000 from 143,000.

Volvo also recorded a 10 per cent decline in truck deliveries over the period, mainly due to a drop in its North American market. It added that bus deliveries were also down, with substantially lower earnings due to losses on the British operations. Income is also substantially lower in the group's aircraft engine production.

Mr Zetterberg said the break-even point for Volvo's car operations had to be lowered, with a reduction in daily output. Steps were also being taken to cut costs drastically and increase productivity. The group has already announced a cut of about 5,000 jobs by the end of 1991 in response to the weakening market.

Mr Zetterberg said the company was in the middle of a period of "intensive product development", costing slightly more than SKr7bn this year. This was to be charged directly against this year's income. "If Volvo had capitalised portions of these development costs to the degree normal in industry, group operating income for the first three quarters would have been considerably higher and the cars operating sector would have shown a profit," he said.

Wellcome shares drop 15% on fear of poor profit margins

By Clive Cookson in London

THE SHARE PRICE of Wellcome, the UK pharmaceutical company, fell 15 per cent yesterday after it announced annual results well below the market's expectations.

The shocked reaction in the London to the figures reflected concern about an unexpected narrowing in the company's profit margins.

Wellcome's own unease on this score was voiced by My John Robb, chief executive, who said: "It is essential that cost control is practised more widely throughout the organisation in order to ensure than our margins are protected and if possible enhanced.

Pre-tax profits for the year to September 1,1990 were up 11 per cent at £315m ($617m). Analysts' forecasts were around £335m to £345m and Wellcome shares, which have underperformed the pharmaceutical sector all year, closed down 67½p to 383½p.

Turnover rose 17 per cent to £1.47bn, with sales of the herpes treatment Zovirax up 28 per cent to £375m and the Aids drug Retrovir (AZT) up 27 per cent to £170m. Sir Alastair Frame, chairman, said Retrovir sales were below the company's earlier expectations, because people who are infected with the Aids virus but not showing symptoms of the disease "are either reluctant to commence treatment or are unaware of the fact that they are infected."

Wellcome said it is undertaking a cost-control programme aimed at reducing overheads and eliminating unproductive activities. It is negotiating the sale of its human vaccines business (to Medeva) and its Calmic hygiene business (to Rentokil). It also plans to cut about 40 of the 400 jobs at its head office in London.

The senior management that had run Wellcome Foundation as a private company – and guided it through the change in status to Wellcome PLC and a very public role in the late 1980s as the only company with a recognised Aids treatment – have now retired. Sir Alastair, Mr Robb and a new finance director, Mr John Precious, took over in July, and they are taking a harder, more commercial line.

"There will be considerable pressures on the company to move away from its very strong links with academia and science and become a more broadly based commercial organisation," Mr Robb said yesterday.

Earnings per share for the year were up 15 per cent, because of a lower tax charge. The final dividend goes up to 5.0p (3.75p), making a total pay-out for the year of 6.5p (5.05p).

Lex, Page 22

News Corp earnings cut by Sky

By Bruce Jacques in Sydney and Raymond Snoddy in London

MR RUPERT MURDOCH'S News Corporation suffered a drop in profits in the first quarter mainly because of costs of Sky Television, its UK satellite venture.

The announcement of a 31.3 per cent net profit fall from A$37.6m (US$29.3m) to A$25.9m came as Mr Murdoch said he was talking to banks about rolling over some of his debt in return for promises to sell about A$1bn in "non-core" assets over the next three years.

The result reflected a A$20.9m loss on the company's UK operations compared with a A$62.5m pre-tax profit previously, with directors blaming the setback almost exclusively on Sky.

"Excluding the effect of Sky Television, the quarter's pre-tax operating profit would have been 71 per cent ahead of last year," they said.

The poor performance, in spite of a 41 per cent increase in turnover from A$1.97bn to A$2.78bn, underlines the pressures that persuaded Mr Murdoch to sign a merger agreement earlier this month with satellite rival British Satellite Broadcasting.

"The agreed merger of Sky Television with British Satellite Broadcasting will reduce substantially the ongoing costs of the investment and ensure a return to profitability in the UK over the remainder of the financial year," News Corp said yesterday.

However, the future of the merged company BSkyB, presently losing £10m (US$19.6m) a week, is far from clear. The Independent Broadcasting Authority has yet to rule on a deal which is being seen as a clear breach of BSB's original contract.

News Corp directors said the group's UK newspapers were maintaining market share in difficult economic conditions. Cover price increases for The Sun and News of the World would improve profits.

The group's earnings mainstay was the US where pre-tax profits rose from A$155.4m to A$261.8m. Twentieth Century Fox Film Corporation made a good start to the year with success for Die Hard II and other films, directors said.

The results also reflected another steep rise in the company's net interest bill from A$218.4m to A$283.2m, which directors attributed mainly to the acquisition of HarperCollins.

In the Australian and Pacific Basin region, pre-tax earnings eased from A$92.1m to A$90.7m, in spite of first inclusion of the HarperCollins operations.

Racal Electronics reveals details of de-merger plan

By Richard Gourlay in London

RACAL Electronics, one of the largest remaining British electronics companies, yesterday revealed details of its proposed de-merger and break-up, which caught the City and the company's advisers by surprise on Monday.

Following the proposed de-merger of its 80 per cent stake in Racal Telecom, which operates the Vodafone cellular telephone business, and Racal Chubb, the security business, the "rump" of Racal Electronics will continue as a quoted company.

Only after "an appropriate time", during which the market will establish a value for these remaining businesses, will Sir Ernest Harrison, the Racal chairman, lead a management buy-out of Racal Electronics, the company said.

Racal Electronics announced the proposed break-up after an early morning board meeting last Sunday.

Mr Gerry Whent, the chief executive of Racal Telecom and a non-executive director of Racal's main board, was on a business trip and did not attend the board meeting.

The group plans to distribute Racal Chubb and Racal Telecom shares to Racal Electronics shareholders in proportion to their current shareholdings.

However, it said it would not be able to place its proposals before shareholders for several months.

Yesterday Racal Electronics appointed N.M. Rothschild and Goldman Sachs as financial advisers and promised more details as soon as possible.

It emphasised that the board's break-up and buy-out proposals were intended to reflect more fully the value of Racal Electronics businesses for all shareholders.

Sir Ernest has consistently complained that the stock market valuation of Racal Electronics undervalued its stake in Racal Telecom, 20 per cent of which it floated in 1988. At times the stock market's valuation appeared to give Racal Electronics businesses, without Chubb and Telecom, a negative valuation, he said in announcing his plan on Monday.

Racal Electronics also said additional non-executive directors would be appointed in the near future to supplement Mr Whent, Mr David Webb, a former executive, and Sir Edward Ashmore, who retired as chief of the defence staff in 1978. Those directors not involved in the management buy-out will seek independent advice on Sir Ernest's proposals.

As Racal will not be making details of its proposed plans available to its shareholders for several months, the Takeover Panel has decided Racal should not yet be considered "under offer", a technical definition which would prevent the company taking certain actions.

Ansaldo in power plant link with Siemens

By John Wyles in Rome

ANSALDO, Italy's state-owned gas turbine power plant manufacturer, has announced a licensing and long-term collaboration agreement with Siemens/KWU of Germany.

The agreement makes Ansaldo a full-range producer of electric power stations and provides a substitute for its nuclear power construction activity, which was wound down following Italy's decision by referendum three years ago to dispense with the nuclear option.

The objective, however, goes beyond the use of Siemens technology. The aim is for a longer-term relationship, by means of a joint venture, which would include co-ordination of production to maximise the use of manufacturing plant in Italy and Germany.

Yesterday's announcement, however, signifies an acceptance by Finmeccanica, Ansaldo's parent holding company, that its hopes of creating a single Italian electric plant manufacturer have so far come to nothing.

Discussions on collaboration with Nuovo Pignone, part of the state-owned ENI group, foundered partly due to its reluctance to cede leadership to Ansaldo, and partly because the company is a manufacturing associate of CGE-Alsthom, which uses General Electric gas turbine technology.

Fiat, the other Italian producer, uses Westinghouse technology, and has recently done a swap of shares and assets with CGE.

Finmeccanica said yesterday, however, that its agreement with Siemens was aimed at international markets. It said it would continue to seek collaboration with Fiat and Nuovo Pignone in supplying the Italian market.

The deal with Siemens puts Ansaldo in a position to implement its part of the three-sided agreement with ENEL, Italy's electricity supplier, and the Soviet government. The deal involves the construction of 16 gas turbine power stations in the USSR, which will be paid for by the supply of Soviet electricity.

AG and Amev finalise merger terms

By Tim Dickson in Brussels

BELGIUM'S largest insurance company, Groupe AG, and Amev, the third largest Dutch insurer, are to formally consummate their merger next month.

Mr Maurice Lippens, AG chairman, and his Amev counterpart Mr Hans Bartelds, yesterday revealed details of the joint group's new financial structure. They confirmed that seven and a half months of hard talking had been brought to a "successful conclusion".

The two sides have gone to Solomon-like lengths to retain their individual characters. However, at the same time, they claim the combined entity will be the first full European Community merger in the financial services sector.

Implementing the association agreement – which will be put to both sets of shareholders on December 3 – will create an international group active in banking and insurance in 12 countries across four continents. Amev/AG will be among the 15 largest insurers in Europe, with a balance sheet total of around Fl 62bn ($37.6bn), total income of about Fl 14bn and shareholders' equity of Fl 7.7bn.

Combined profits at the end of 1989 worked out at between Fl 658m and Fl 763m, depending on whose accounting policies are employed.

Under the agreements, each of the two companies will own a 50 per cent interest in the new group, plus certain assets which they will retain separately. A number of provisions will ensure that AG continues as the Belgian "anchor" within the group of majority shareholders in the giant Belgian holding company Société Générale de Belgique. The new structure is intended to preserve the Dutch character of the VSG Group, with whom Amev merged in May.

The deal – which will be backdated to January 1 – recognises that Amev's contribution to the enlarged group is worth Fl 1.15bn, more than that of AG. To compensate, the latter will pay half this difference via a combination of cash and new preference shares in a newly created AG subsidiary.

Mr Lippens and Mr Bartelds will be joint chairmen of a new executive board responsible for day-to-day management. They will link with the two parent companies via a new supervisory board.

Mr Lippens yesterday described the merger as "an aggressive, not a defensive, reaction to the challenge of 1992". He drew attention to the wide discrepancy in premium rates within EC countries such as France and Italy, though he conceded that the overall direction of premiums in a single market would probably be down.

Ericsson up sharply to SKr3.2bn

By John Burton in Stockholm

ERICSSON, the Swedish telecommunications equipment group, announced yesterday that pre-tax profits for the first nine months of 1990 rose 39 per cent to SKr3.2bn ($579m), matching market expectations.

It repeated its forecast that full-year profits would climb by about 25 per cent to around SKr4.6bn, with profits in the third quarter rising by 30 per cent. Sales during the nine months increased by 26 per cent to SKr32.8bn.

"To date, we have demonstrated that we are more resistant to a business decline than companies in other industries," said Mr Lars Ramqvist, Ericsson president.

Radio communications, which includes cellular mobile telephone systems, reported the most rapid sector growth, with net sales increasing by 76 per cent to SKr8.2bn. One third of the increase was due to Ericsson's venture partnership with General Electric in the US mobile telephone market.

Ericsson recently became the biggest supplier of cellular telephone equipment in the US, with an initial SKr1bn order from McCaw Cellular Communications to establish a cellular network serving the entire North American continent, beginning with the replacement of existing systems in the New York City area and the Pacific northwest. Indeed, the North America market is growing more rapidly than the others, with sales increasing by 118 per cent to SKr4.1bn during the nine-month period.

Europe, however, remains the company's dominant market, with sales of SKr20bn. It recently won orders from the UK and Norway for public telephone exchanges and will deliver digital transmission equipment for the German public telecom system.

Air France to cut some flights

By William Dawkins in Paris

AIR FRANCE, the French national airline, is to make a sweeping reorganisation of its flight programme. The company plans to close or cut capacity on its most unprofitable routes and increase flights on the busiest lines.

The changes are part of an economy drive announced in September in response to a sharp rise in fuel and insurance costs, coupled with a stagnation of traffic on secondary routes.

Air France hired an independent consultant to identify the hopelessly unprofitable routes, now to be suspended or transferred to regional carriers. This comes a fortnight after the airline received the green light from the European Commission to take over UTA, which flies between France, Africa and Asia, and Air Inter, the troubled internal airline.

Air France's overall capacity will rise slightly in the reorganisation, but there will be a cut in medium-haul flights and an increase in intercontinental capacity. The biggest cuts fall on services between the French regions and Europe, east Africa, the Indian Ocean region and the Caribbean.

Air France is to suspend routes from the French capital to nine secondary European cities: Belfast, Newcastle, Shannon, Cork, Munster, Antalya, Florence and Catania. It will, as a result, use fewer charter carriers from outside the group.

Capacity will rise on the busy North and South American routes, and on services between Paris and European capitals. Freight capacity will also rise by 4.4 per cent.

Like other airlines, Air France is experiencing heavy losses. It was FFr170m ($34.3m) in the red in the first six months of this year. It estimates that the higher fuel prices caused by the Gulf crisis has added FFr1bn to costs, from which it will recover only FFr300m through fare rises announced last month.

Strong sales boost Novo Nordisk

By Hilary Barnes in Copenhagen

NOVO NORDISK, the Danish industrial and health care products group, reported a 5 per cent improvement to DKr905m ($160.2m) in pre-tax earnings for the first nine months of 1990 after a strong third quarter.

Sales increased by 9 per cent to DKr6.01bn, with turnover for the third quarter advancing by 16 per cent to DKr2.03bn. Pre-tax earnings for the third quarter were 12 per cent higher at DKr302m.

The group maintained its earlier forecast that pre-tax earnings for the year would exceed last year's DKr1.04bn, assuming there are no serious exchange rate upsets in the rest of the year.

The group said that consolidated net sales measured in local currencies increased by about 15 per cent, mainly due to higher volume and a better product mix. However, an 8 per cent appreciation of the krone against the currencies of importance to Novo meant that the increase was only 9 per cent in Danish currency.

Sales by the health care group, in which insulin is the main product, increased at nine months by 16 per cent to DKr4.22bn. In terms of local currencies, the sales advance was 20 per cent.

Obligentia share trading halted

By Robert Taylor

SHARE trading in Obligentia, the ailing Swedish finance company, was stopped yesterday on the Stockholm bourse. The suspension was a further twist to the growing crisis rippling through the country's financial sector, caused by high interest rates and falling property prices

The company's main shareholder, the Mercurius group, owned by the financier Mr Peter Gyllnehammar, is negotiating with the banks in trying to find a solution to Obligentia's problems before Monday.

Suez up 35% to FFr2.7bn

By George Graham in Paris

COMPAGNIE de Suez, the French financial and industrial conglomerate, has confirmed net first-half profits of FFr2.7bn ($544m), up 35 per cent from the same period last year. The group, however, has warned that earnings per share for the full year will probably be lower than in 1989.

The group, whose holdings include Banque Indosuez, the French investment bank; Victoire-Colonia, the Franco-German insurance group; and Société Générale de Belgique, Belgium's largest industrial holding company, showed a 150 per cent increase in group operating profits to FFr3.5bn, thanks largely to the consolidation for the first time of SGB and Victoire. A large exceptional gain of FFr2.4bn was mainly due to the sale of a minority stake in Victoire.

Banking activities contributed FFr800m to net profits, while insurance contributed only FFr200m. Holdings in industry, services and property contributed FFr700m, and the holding company itself contributed FFr1bn, largely due to the exceptional gain on the Victoire minority stake.

Aga's 33% advance on target for year

AGA, the Swedish industrial gas group, yesterday reported a 33 per cent improvement in its profits after financial items for the first nine months of the year, to SKr1.08bn ($195m), writes Robert Taylor from Stockholm.

At the same time, the company reported a 14 per cent increase over the same period to SKr9.11bn from SKr7.97bn.

The company said its forecast of at least a 30 per cent rise in profits for the whole year remained unchanged.

Aga's continuing good performance reflects the success of the company's revival strategy. Between 1985 and 1989 it invested SKr6bn in new plant and made a number of company acquisitions in Germany, France and the US. Last year it restructured the company's operations to make them more cost effective.

WOULD YOU ASK AN AMATEUR WHICH ONE TO CHOOSE?

INTERNATIONAL COMPANIES AND FINANCE

Judge rejects attempt to liquidate Eastern Air Lines

By Martin Dickson in New York

EASTERN Air Lines, the loss-making *US carrier* operating under the protection of the bankruptcy courts, has survived an attempt to force it into liquidation.

The airline said it was confident of meeting operating targets that would allow it to draw cash to fund the business through to the end of the year.

The judge overseeing *Eastern's bankruptcy case* rejected a call from its unsecured creditors that the airline be shut down and liquidated after an eight-hour hearing which ended late on Wednesday night.

However, the judge only released to the airline half of the $30m it had been seeking from a court-controlled escrow fund to offset its operating losses through to the end of the year.

The judge said Eastern would be able to get the remaining $15m on December 3 if it met certain operating *conditions.*

Mr Martin Shugrue, the trustee running the airline, said yesterday that he was confident the judge would release this money.

Eastern's advance bookings *for November* were the highest in five years and those for December were very strong.

Mr Shugrue castigated the unsecured creditors for "reckless and shameful" action which could cause the airline to spend more from the escrow account than necessary to combat bad publicity.

Trying to counter-act a potentially damaging public loss of confidence in the airline, he said: "Eastern will *be around well into 1991 and, if* my judgment is right, well beyond that."

He added the group expected to break even on a cash basis by late February or March of next year, based on conservative estimates of the cost of fuel. The airline's new and unique programme — offering seats in an expanded first class to passengers paying full fare — was improving yields.

Eastern, in common with other airlines, has been hit hard by the sharp rise in fuel costs because of the Gulf crisis. *The airline has been fighting* for 20 months to return to profitability under the protection of Chapter 11 of the US bankruptcy code, but it has repeatedly missed profits targets.

Asked *whether Eastern* could survive as an independent airline, Mr Shugrue said that a case could be made for this, but he was not ruling out some form of marriage.

He added: "We have said all along if a suitable proposal was made we would consider it... We have been talking to everyone in the world who has expressed an interest in talking to us."

● Mr Thomas Plaskett, Pan American World Airways chairman, told an airline group that he estimated the marketing portion of a deal with UAL would be worth more than a $100m a year to his airline, Reuters reports.

This is in addition to the $400m Pan Am expects to receive *for the sale* of routes and some other assets, including two aircraft, to UAL, parent of United Airlines.

Among the revenue-producing aspects of the agreement is a joint marketing *arrangement of the two airline* companies' frequent flier programmes.

But Mr Plaskett made clear the agreement did not provide a window for an eventual merger of the two companies. *"This does not mean that* we plan to merge," he said.

Icahn makes fresh move over USX

By Nikki Tait in New York

MR CARL Icahn, the corporate raider, is again rattling the drums over USX, the US energy and steel group, in which he holds a 13.3 per cent stake. In a new filing with the Securities and Exchange Com*mission, Mr Icahn said he* intended to sponsor and fund an independent committee to "act as a liaison between USX and its shareholders".

The latest salvo gained a cool response from USX which said it would review the raider's suggestions "in due course and respond in detail at the appropriate time".

He said members of this committee — the proposed names include three academics, a former chief executive of the Burlington Northern Railroad and the executive director of the Massachusetts Pension Reserves Investment Management Board — had agreed to serve as nominees for election as directors "unless the *USX* board adopts a meaningful restructuring plan". The annual meeting at which new directors can be appointed is next May.

Mr Icahn lobbied unsuccessfully earlier this year for USX's *steel* operations to be spun off as a separate operation, although the company has said it would seek ways to "benefit its shareholders" and had exploratory discussions on selling some of its steel operations.

In his latest letter, Mr Icahn said he was pleased with USX's recent search for a buyer for the steel division and the establishment of a separate subsidiary for all steel operations, but suggested that shareholders were "very restive at this point".

Mr Icahn said he had received bids from "major investment banks" for his USX stock, but it was not for sale.

Interest grows in Sidermex sale

By Charles Leadbeater, Industrial Editor

EUROPEAN and Japanese steel producers are the leading contenders to buy Sidermex, Mexico's state-owned steel company, in one of the most significant *international* sales of steel assets in recent years.

Advisers to the Mexican government believe the auction of Sidermex's three sites, one of which is one of the most modern steel plants in the world, could fetch several billion US dollars.

The advisers, including SG *Warburg, the merchant bank,* expect to issue potential purchasers with a full sales prospectus by the end of the year.

The sale is designed to attract investment from foreign steel groups. It is understood that Ilva, the state-owned Italian steel producer and Japanese groups such as Mitsui and NKK are the leading contenders to acquire the plants.

Although European steel companies are suffering falling profits the advisers also believe there may be approaches from Usinor-Sacilor, the French state-owned group and British Steel, which has said it wants to expand internationally.

Sidermex is a medium-sized producer by world standards, with an annual output of 7m tonnes. But, it is rare for so much steel-making capacity to come on to the market at one time. The main attraction of the sale will be the growth of the car industry in Mexico and the prospect of free trade agreements with the US opening up markets in the southern US states.

The main prize in Sidermex's operations is the Sicartsa II plant which came on stream in 1988 and has four electric arc furnaces and three continuous casting machines.

The largest plant, AHMSA, has an annual capacity of 3m tonnes. It was built in the 1940s and would require considerable investment, but is close to the Texan border.

Gap results leap to $47.7m in third quarter

By Karen Zagor

THE GAP, one of the biggest and most successful US specialty retail groups, yesterday *turned in outstanding third*-quarter results, in spite of the softening US economy and sluggish retail sales.

For the three months to November 3, net income jumped to $47.7m or 67 cents a share from $34.2m or 49 cents in the three months ended October 28, 1989. Sales grew to $502m from $406m. Earnings per share were restated to reflect a two-for-one stock split in September.

For the first nine months, net income was $88m or $1.24 a share, up from $63.4m or 90 *cents a year earlier.* Sales increased 26 per cent to $1.31bn from $1.04bn.

The results were stronger than Wall Street expected and The Gap shares rose $1⅛ to $31½ at mid-session yesterday.

The San Francisco, California-based company said comparable store sales rose 12 per cent in the third quarter. It has also cut its long-term debt to $5m at the end of the third quarter from $17.5m. Earnings before taxes rose 37 per cent to $78.2m from $57.1m.

Campbell lifts dividend 16% as earnings advance

By Karen Zagor in New York

CAMPBELL Soup, the big US foods group which has been wracked by internal family *wrangling* and *management* changes over the past year, yesterday posted improved first-quarter results and increased its quarterly dividend by 16 per cent to 29 cents a share.

In the three months ended October 29, Campbell turned in a 27 per cent advance in net *earnings to $105.1m or 82 cents* a share, against $83m or 64 cents a year earlier.

Sales rose by 5 per cent to $1.59bn from $1.52bn while earnings before taxes increased by 26 per cent to $178.8m from $141.6m.

Selling, general and administrative expenses went up by 3 per cent in the quarter to $311.8m from $303.2m.

Operating earnings from the company's north American division were $177.7m on sales of $1.1bn, compared with earnings of $137.2m on sales of $1.09bn a year earlier. Excluding *divested companies* and discontinued product lines, net sales increased 4 per cent in the three months.

Campbell International had operating earnings of $4.1m on sales of $307.4m, against operating income of $2.7m on sales of $261.2m

Mr David Johnson, the *recently appointed Australian* president and chief executive, said the dividend increase "shows confidence in our future and determination to propel Campbell to the top of the food industry".

At the company's annual meeting, Mr Johnson said Campbell would focus on *increasing net earning per* share, return on equity and average cash return on assets by at least 20 per cent annually in the next few years.

Amax to acquire Ladd Petroleum

By Kenneth Gooding, Mining Correspondent

AMAX, the US natural resources group, has agreed to buy Ladd Petroleum Corpora*tion from the US General Elec*tric Company for about $515m plus net working capital.

Mr Allen Born, Amax chairman, said the deal, expected to be closed before the year-end, "will give us a major position in the natural gas market place of the 1990s." Ladd will be merged with Amax Oil and Gas, a wholly owned subsidiary, to increase the latter's reserve base to about 1,000bn cu ft equivalent of domestic natural gas reserves.

He said it would contribute to current performance and position Amax well for the opportunities ahead.

The majority of Ladd's *important properties* and assets are in the Gulf Coast, Texas and Oklahoma, areas where Amax's present properties are concentrated.

Fall at West Point-Pepperell

WEST Point-Pepperell, the troubled *textiles* group run by Mr William Farley, the Chicago industrialist, reported a sharp fall in third-quarter profits, writes Nikki Tait.

It made $2.9m after tax, against $17.2m in the same *period a year ago.* Profits from continuing operations fell from $15.1m to $1.74m, with net sales down from $345.2m to $309.6m.

It said the downturn partly reflected a slightly shorter *reporting period.* Also, a smaller amount of its interest charges could be allocated to discontinued operations, due to last year's writedown in the value of businesses to be sold.

Northgate in C$78m gold mine write-off

By Bernard Simon in Toronto

AN unexpectedly low gold price, unfavourable exchange rates and technical problems have led the owners of the new Colomac gold mine in Canada's Northwest Territories to write off C$152.9m (US$131.8m) of their investment.

Northgate Exploration, which has a 52 per cent interest in the mine, said its C$78.3m share of the write-down had resulted in an C$81.2m third-quarter loss, equal to C$3.68 a share, compared with earnings of C$675,000, or 3 cents a share, a year earlier.

Northgate said the write-down represented about two-thirds of the total carrying value of the mine.

The Colomac, which opened last May, had produced 50,250 oz of gold by the end of October. Northgate said ore grades appeared to be in line with expectations, *but mill-head* grades were running about 20 per cent below plan.

The ore appears to be unexpectedly abrasive and as a result, some metal is being lost in the grinding circuit. Operat*ing costs will thus be higher* than the projected US$260/oz.

To compound the mine's problems, the gold price and exchange rate assumptions on which it was built have turned out to be incorrect.

The project was based on a price of US$450 an ounce, and an exchange rate of C$1.27 per US dollar, giving a gold price in Canadian funds of C$571.50. The present bullion price is little more than C$490.

Colomac's holding company NorthWest Gold and its operating unit Neptune Resources are negotiating a restructuring of a C$90m project loan, and seeking an additional $20m for 1991 working capital and to finance this season's winter *supply road.*

Northgate said NorthWest plans "to use its best efforts to bring the operation to full production, which is necessary before the capabilities of the mine can be fully determined." *The mill is expected to reach* full capacity of 10,000 tons a day by the end of the year.

Fall in yen against dollar lifts Honda

By Stefan Wagstyl in Tokyo

HONDA Motor, the Japanese carmaker, yesterday reported a 35.7 per cent increase in consolidated interim pre-tax profits to Y86.7bn ($677m), due largely to favourable exchange rate movements.

The company, reporting results for the six months to the end of September, benefited greatly from the strength of the US dollar early in the period, which boosted the yen value of Honda's North American revenues.

As a result, sales rose 18.4 per cent to Y2,142bn by value. The dollar's rise against the yen also helped Honda to eliminate foreign exchange losses which depressed profits in the same period last year.

However, despite the increase in sales revenue, the volume of sales remained little changed from the same period last year.

The company sold 970,000 cars against 966,000. Operating profits fell 2.2 per cent to Y93.2bn, due to increased costs and depreciation charges. The company has been investing heavily in new plant in Japan, Europe and North America.

Net income per share was Y46.11, up from Y33.32. Net profits were 39 per cent up at Y45.4bn.

For the year as a whole, Honda is forecasting full-year consolidated net profits of Y82.4bn, a decrease in the previous estimate made in May of Y90bn.

The revision takes account of the recent rise of the yen against the dollar. Sales are expected to rise to Y2,242bn, in line with the original forecast.

● Mazda Motor, another carmaker, reported an unconsolidated first-half pre-tax profit of Y23.77bn, up 6.7 per cent. Sales rose 10.3 per cent to Y1,111bn in the six months to the end of September.

In volume terms, sales rose 11.6 per cent to 730,000 units, including a 19.2 per cent increase in domestic sales to 310,000. Mazda has been winning market share in Japan, partly due to the popularity of a newly-introduced small sports car.

For the full year, Mazda expects sales to rise 9.9 per cent to Y2,250bn and pre-tax profits to reach Y55bn, an increase of 14.1 per cent.

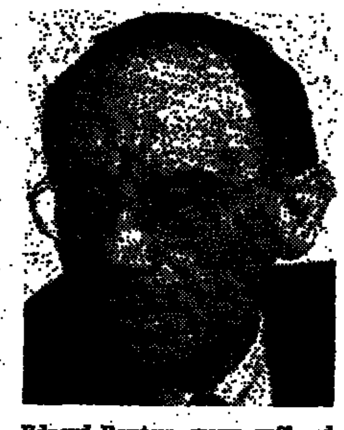
Daimler warns of currency problems

By Andrew Fisher in Frankfurt

DAIMLER-Benz, the German vehicle, electronics, and aerospace group, yesterday announced a 4 per cent rise in net profits to DM1.32bn ($880m) for the first nine months and said it expected a satisfactory result for the full year.

But Germany's biggest industrial concern, chaired by Mr Edzard Reuter, warned about the possible impact of a further decline in the dollar on German competitiveness, with "drastic consequences" for the country's position as a manufacturing location and for jobs.

Daimler said its results this year had suffered from the weakness of the US and Japanese currencies against the D-Mark. However, the group benefited from a strong improvement in the EC, where sales improved by 11 per cent, and in its home market, with a 16 per cent jump. Total turnover during the period was 6 per cent higher at DM61bn. Around 70 per cent of group turnover stemmed from Mercedes-Benz, the group's car and truck subsidiary.



Edzard Reuter: group suffered from strong D-Mark

Daimler said that higher car sales helped to offset negative economic and currency trends in foreign markets.

Mercedes' turnover was 6 per cent higher at DM44bn, with a continuing upward trend forecast. Worldwide car sales increased by 5 per cent to 420,000 units, with a 25 per cent improvement in Japan to more than 28,000. Total output this year is expected to be 6 per cent higher at 570,000 cars. On the truck side, Daimler said the upturn in European markets of the past few years had weakened. Production of Mercedes trucks showed a modest dip to 192,400 units, but sales improved sharply in Germany.

New registrations of vehicles over 6 tonnes rose by 8 per cent in western Europe to 58,000 units and the market share advanced by three percentage points to 26 per cent. Overseas, Mercedes truck activities suffered from economic and labour problems in Brazil and South Africa, but developed well in Mexico and Turkey. Daimler said business at Debis, its service division, which was founded on July 1, developed according to plan.

The division has formed Mercedes-Benz Finance in the UK for the financing and leasing of trucks and cars. It has also founded Debis International Trading in Germany to help business with countries with weak currencies.

Qantas declines by 93% to A$12.1m

By Bruce Jacques in Sydney

QANTAS Airways, Australia's federal government-controlled international carrier, was hit by a protracted domestic pilots' dispute and recorded a big earnings dip in the June year.

Yesterday the airline announced that net earnings had fallen 93 per cent to A$12.1m (US$9.45m) from A$176.8m.

Qantas' timing is unfortunate because the federal government has just confirmed plans to sell a 49 per cent interest in the airline to private investors.

But the result would have been much worse without an abnormal gain of A$107.3m related to amortisation of profits on airline sale and lease-back transactions.

Directors said the company's "normal" operations incurred a huge turnround from an A$177.2m profit in the previous year to an A$125.2m loss in the latest year. They estimated that the domestic pilots' dispute reduced pre-tax operating profits by A$165m.

But Mr Bill Dix, chairman, said he remained optimistic about medium- and long-term prospects. He said the company expected an earnings turnround in the current year, but this had been made harder by the effect of the Gulf crisis on fuel prices.

Westpac in reverse as bad debt problems mount

By Bruce Jacques in Sydney

WESTPAC Banking Corporation, has become the second big Australian financial services group in as many weeks to report depressed earnings and mounting bad debt problems in the year to September.

Westpac recorded a 14.6 per cent fall in net earnings to A$683.9m (US$534m) from A$800.7m, well behind its competitor, the National Australia Bank, which last week reported a 3 per cent slip in earnings to A$767m

But detailed financial statements issued by Westpac yesterday suggest that the bank's underlying performance is considerably worse than the net profit figure would indicate.

The stated profit included a A$198m abnormal profit reflecting the staff superannuation funds' surplus. Without that, the result would have been down almost 40 per cent to A$485.9m

The main reason for the poor performance, which was roughly in line with market expectations, was the bank's bad and doubtful debt write-offs which more than doubled to A$1155.6m from A$562.9m.

Westpac also detailed A$4.5bn in problem loans. Mr Stuart Fowler, chief executive, said loans where interest is not being received or accrued, increased to A$2.46bn in the year.

Despite the earnings slide and worrying under-performing loan position, Westpac has held the annual dividend at 52.5 cents a share, lifting its payout ratio from 68.1 to 87.2 per cent.

Net profit fell more than 60 per cent in the first half, but was down 19.5 per cent in the second half.

Sir Eric Neal, chairman, said this reflected strong and swift remedial action.

"Costs have been and continue to be closely examined, and the previous upward trend in non-interest cost reversed. The rapid expansion in the loan portfolio has been stabilised, and is reflected in a much slower growth in assets."

Westpac's Australian banking operations were the biggest factor in the overall earnings fall, with profits down 40.4 per cent from A$647.3m to A$385.5m.

However, overseas banking operations lifted their contribution 12 per cent from A$53.2m to A$59.7m.

The company's investment and merchant banking operations incurred a A$112.3m loss, compared with a A$61m loss previously, but its financial services arm, which is one of the country's biggest fund managers, lifted earnings 159 per cent to A$48.7m from A$18.8m.

Tax took A$235.6m against A$282.5m previously and depreciation A$191.9m compared with A$167.3m.

Brazil-based brothers buy control of Israel bank

By Hugh Carnegy in Jerusalem

TWO Brazil-based bankers, brothers Yosef and Moise Safra, yesterday acquired control of First International Bank of Israel (Fibi), the country's fifth largest financial group, from New York-based investor Mr Jack Nasser.

Fibi, with total assets at the end of last year of $3.77bn, is the only one of Israel's top banks in which the government does not hold a majority stake. The other four are due to be sold to the private sector over the next two years. Mr Yigal Arnon, Fibi chairman, said yesterday's sale represented the first time an Israeli bank had moved under the control of an international banking group.

The Safra brothers, who own Banco Safra in Brazil among other international banking and business interests, are buying for cash the vehicle through which Mr Nasser owned 51.5 per cent of the voting stock in Fibi Holdings, which in turn controls 80 per cent of the bank itself. No price was disclosed.

Fibi's stock market capitalisation this week stood at more than $210m. Mr Nasser paid $21m for his stake in 1986.

The bank had the best return on equity among its competitors in 1989 at 7.8 per cent on net profits of $20m.

Karaoke machine sales help advance at Pioneer

By Stefan Wagstyl in Tokyo

PIONEER Electronic, the Japanese consumer electronics group, yesterday reported a 28.5 per cent increase in unconsolidated interim pre-tax profits to Y21.4bn ($166m). This was due to strong sales of up-market home entertainment equipment, including Karaoke – singalong – machines combining audio compact disc and video disc players.

Unconsolidated sales in the six months to the end of September rose 14.4 per cent to Y201bn. On a consolidated basis, the company made net profits of Y17.7bn, up 43.1 per cent, and recorded sales of Y291.6bn, an increase of 26.1 per cent. The increase in consolidated sales was greater than that of the parent company due to strong gains overseas especially Europe and Asia. US sales were also up.

Sales of audio products, including compact stereo systems, rose 9.4 per cent on a consolidated basis and fell for the parent company alone. Turnover in the video products division, including Karaoke machines, were 47.2 per cent up. Car equipment sales rose 29 per cent, due to the popularity of car compact disc players.

For the full year, Pioneer forecasts a 10.7 per cent rise in parent company sales and a 6.1 per cent increase in pre-tax profits to Y37bn.

San Miguel blames beer tax rise for downturn

By Greg Hutchinson in Manila

SAN MIGUEL, the Philippines' largest industrial company, has reported a sharp fall in third-quarter net income despite a rise in net sales.

A drop in beer sales following the government's raising of tax on beer from 37 to 50 per cent last July was blamed for the result, together with a general economic decline in the Philippines. The management said it saw no improvement in the months ahead "as the economy is expected to continue to slow down".

San Miguel is by far the largest brewer in the Philippines.

Consolidated net sales rose 16 per cent to 10.58bn pesos ($395m) from 9.11bn pesos. Net income fell to 238m pesos from 664m pesos.

This brought group consolidated net income for the first nine months of 1990 to 1.28bn pesos, 39 per cent lower than the previous year's comparative 2.09bn pesos, on net sales of 31.16bn pesos, against 26.58bn pesos.

Malaysian M$945m bank rights finalised

MALAYAN BANKING, Malaysia's largest bank, has finalised one of the country's biggest rights issues, to raise M$945m (US$351m) through the Kuala Lumpur stock market, writes Lim Siong Hoon in Kuala Lumpur.

Mayban plans to use M$575m, or 61 per cent of the proceeds, to fund its five subsidiaries, principally Kwong Yik, a commercial bank, and the finance company Mayban Finance.

INTERNATIONAL CAPITAL MARKETS

Longer gilts advance as recession data harden

By Stephen Fidler in London and Patrick Harverson in New York

BRITISH government bonds once again shrugged off worries about the leadership of the ruling Conservative party and made gains, particularly in longer maturities, based on the accumulating evidence of recession in the UK.

Unemployment figures for October showed a larger than expected rise and there was also a significant drop in vacancies. Sterling remained fairly weak throughout the day, but recovered from its opening lows, moving at the London close to around DM2.8950, offering some modest support.

Mr John Sheppherd at S.G. Warburg said the day had seen some switching out of the short end of the market into the longer maturities. This he attributed to the belief that further base rate reductions, partly built in to the short end of the market, now appeared likely to be delayed. This was because of sterling's weakness amid the current leadership struggle.

However, the evidence of economic slowdown appeared to some to offer more value at the long end. A long benchmark, the 11¾ per cent of 2003-07, rose about $\frac{1}{8}$ point to $101\frac{13}{32}$ to yield 11.43 per cent.

GOVERNMENT BONDS

■ US bonds rallied from a bout of overnight profit-taking on foreign markets to end little changed in a morning session dominated by continued speculation over when the Federal Reserve will signal an easing of monetary policy.

By midday the benchmark 30-year Treasury bond had fallen just $\frac{1}{16}$ to $102\frac{7}{16}$, to yield 8.52 per cent. At the short end of the market the two-year bond was virtually unchanged at $100\frac{5}{32}$, yielding 7.57 per cent.

Once again technical factors – in particular, settlement pressures relating to previously auctioned government securities – and the subsequent firmness of the Fed funds rate made it difficult for observers to interpret the motives behind the Fed's daily operations.

In the past two days the market has been faced with the question of whether any injection of liquidity into the market by the Fed represents an easing of policy or merely an attempt to alleviate the upward pressure on the Fed funds rate.

Yesterday the Fed intervened at 11.30am via overnight system repurchase agreements when Fed funds were trading at $7\frac{11}{16}$ per cent. There was some disagreement among observers as to the message behind the move, but the consensus was that the Fed had not signalled a policy shift but may well have prepared the ground for a 25-basis point drop in the Fed funds rate either today or early next week.

A growing number of traders believe the Fed may wait to see how financial markets react to today's consumer prices index for October before lowering the Fed funds rate. If the CPI figure is much higher than the expected 0.7 per cent monthly rise, a policy change might be delayed until later in the year.

■ GERMAN bond prices fluctuated narrowly, as the Bundesbank Council meeting, as expected, made no announced changes to monetary policy. Still, the continuing demand for funds for unification was underlined by the announcement of two short-term floating rate notes totalling DM6bn for the Staatsbank.

The notes carrying an interest spread of 5 basis points over the Frankfurt interbank rates attracted some interest in a sector somewhat starved of paper.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-10	+09/32	11.43	11.49	11.81
		9.000	03/00	86-29	+14/32	11.30	11.33	11.47
		9.000	10/08	84-22	+18/32	10.96	10.97	11.36
US TREASURY *		8.500	11/00	100-26	-03/32	8.38	8.55	8.79
		8.750	08/20	102-11	-04/32	8.53	8.67	8.93
JAPAN	No 119	4.800	6/99	84.4279	-0.193	7.83	7.91	7.97
	No 129	6.400	03/00	94.0069	-0.154	7.49	7.57	7.65
GERMANY		9.000	10/00	99.9500	-0.040	9.01	9.06	9.01
FRANCE	BTAN	9.000	11/95	95.1975	+0.001	10.27	10.22	10.23
	OAT	8.500	03/00	89.3700	-0.010	10.30	10.34	10.36
CANADA *		10.500	03/01	99.8500	+0.600	10.55	10.81	11.36
NETHERLANDS		9.250	11/00	100.4000	+0.010	9.19	9.22	9.23
AUSTRALIA		13.000	07/00	102.7161	+0.673	12.50	12.77	13.37

London closing, *denotes New York morning session. Prices: US, UK in 32nds., others in decimal. Yields: Local market standard

Technical Data/ATLAS Price Sources

C&G in $750m CP programme

THE Cheltenham & Gloucester Building Society has arranged a programme to issue up to $750m of Eurocommercial paper. It follows the successful launch of a $750m paper programme in the US last summer, writes Stephen Fidler, Euromarkets Correspondent.

It can issue paper in dollars, sterling, yen and Ecu. According to Mr Mark Gibbard, capital markets manager, most will be in dollars and sterling.

CBOT in insurance futures

By Barbara Durr in Chicago

THE Chicago Board of Trade is moving ahead with the development of its new car and health insurance futures.

The CBOT announced it has retained Tillinghast, an actuarial consulting firm, to help design the contracts.

The CBOT is awaiting approval from the Commodity Futures Trading Commission for contracts on automobile physical damage and group health insurance. The futures are intended as a hedge for underwriters.

The proposed contracts will price the gross profitability on lines of insurance (premiums collected less claims paid), with the rate multiplied by $100,000 to yield a futures contract.

Tillinghast is a wholly owned subsidiary of the Tower Perrin company.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on November 15

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	100¼	100⅝		8.71
ALBERTA PROVINCE 9 3/8 95	600	102⅛	102⅝	+⅛	8.82
AUSTRIA 8 1/2 00	400	95⅝	96		9.22
BANK OF TOKYO 8 3/8 96	100	96¼	96¾		9.27
BELGIUM 9 1/8 92	400	101¼	101⅝		8.33
BFCE 7 3/4 97	150	94¼	94⅝	+⅛	8.97
BNP 8 5/8 94	300	99⅝	100		8.72
BP CAPITAL 9 5/8 95	150	101⅞	102⅜	+⅛	8.61
CANADA 9 96	1000	101⅞	102⅛	+⅛	8.53
CARCO 9 1/4 96	650	98⅛	98⅝	+⅛	9.67
CCCE 9 1/4 95	300	102⅛	102½		8.61
COUNCIL EUROPE 8 96	100	96½	96⅞	+⅛	8.79
CREDIT FONCIER 9 1/2 99	300	101⅞	102⅛	+⅛	9.15
DENMARK 0 98	250	50¾	51¼	+⅛	9.18
DENMARK 8 1/4 94	150	98⅝	99	-⅛	8.67
ECSC 8 1/4 96	193	97	97½		8.91
EEC 7 1/4 93	250	97¾	98⅛		8.33
EIB 7 3/4 96	250	95½	95⅞	+⅛	8.78
EIB 10 97	250	104⅝	105		8.97
ELEC DE FRANCE 9 98	200	100⅜	100⅞	+⅛	8.91
EUROFIMA 9 1/4 96	100	101¼	101⅞	+⅛	8.92
EXPORT DEV CORP 9 1/2 98	150	102⅛	102½	+⅛	9.09
FINLAND 7 7/8 97	200	94⅛	94⅝	+⅛	9.15
FINNISH EXPORT 9 3/8 95	200	102¼	102⅝	+⅛	8.79
FORD MOTOR CREDIT 9 1/2 93	300	100⅞	101¼	+⅛	9.14
GEN ELEC CAPITAL 9 3/8 96	300	101⅛	101½		9.08
GMAC 9 1/8 96	200	97¾	98¼	-⅛	9.66
HALIFAX 9 1/2 93	200	101½	102	+⅛	8.79
IBM WORLD TRADE 7 5/8 93	150	96⅝	97⅛	-⅛	8.95
IND BK JAPAN FIN 7 7/8 97	200	93¼	93¾		9.30
INTER AMER DEV 7 5/8 96	200	94⅛	94½	+⅛	8.95
ITALY 8 1/2 94	1500	99⅝	100	+⅛	8.53
JAPAN DEV BK 8 94	150	98⅜	98¾	+⅛	8.53
KANSAI ELEC PWR 10 96	350	103	103½		9.24
LTCB 8 5/8 93	150	99½	100		8.83
NEW ZEALAND 8 93	100	98⅝	99		8.69
NIPPON CRED BK 9 3/4 93	150	102	102½		8.93
NIPPON TEL & TEL 9 3/8 95	200	101⅞	102⅜		8.81
NORDIC INV BANK 9 93	200	101⅛	101⅝		8.47
ONTARIO HYDRO 11 5/8 94	200	105⅝	106⅛	-1⅞	9.49
OSTER KONTROLLBANK 8 1/8 93	200	99⅝	100	+⅛	8.27
PETRO-CANADA 7 1/4 96	200	93	93½	+⅜	8.90
PRUDENTIAL RLTY SECS 0 99	365.216	46⅛	46⅝	+⅛	9.94
QUEBEC HYDRO 9 3/4 98	150	101⅞	102¼	+⅛	9.39
QUEBEC PROV 9 98	200	98⅛	98½	+⅛	9.34
SAINSBURY 9 1/8 96	150	100¼	100⅝	+⅛	9.06
SAS 10 99	200	101	101¼	+⅛	9.80
SBAB 9 1/2 95	500	102¼	102½	+⅛	8.85
STATE BK STH AUST 9 1/4 93	100	101¼	101½	+⅛	8.64
SUMITOMO BK CAP MKT 9 3/8 93	150	101¼	101⅜		8.88
SWEDEN 8 1/8 94	150	98⅝	99⅛	+⅜	8.56
SWEDISH EXPORT 9 5/8 93	100	102⅜	102⅞	-⅛	8.40
TOKYO METROPOLIS 8 1/4 96	200	97	97½		8.92
WORLD BANK 8 3/8 99	1500	96⅞	97	+⅛	9.09
WORLD BANK 8 3/4 97	1500	99⅞	100	-⅛	8.96
XEROX CORPN 8 3/8 96	100	94⅞	95½	+1⅛	9.67
DEUTSCHE MARK STRAIGHTS					
ASIAN DEV BANK 8 94	200	96⅛	96⅝		9.15
AUSTRIA 6 98	400	83	83¼	-⅛	9.27
CNT 6 1/8 98	200	82⅞	83¼		9.27
CREDIT FONCIER 6 3/4 99	500	85½	85⅞	-⅛	9.31
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	91⅝	92⅝		10.11
KREDIETCORP 7 93 LFr	1000	92⅝	93¼		10.14
WORLD BANK 8 96 LFr	1000	91¾	92¼		10.02
AMRO BANK 6 1/4 92 Fl	150	94⅜	95⅜		9.70
RABOBANK 5 3/4 93 Fl	150	92⅛	93		9.65
ALBERTA PROVINCE 10 92 C$	500	97⅞	98⅛	+⅛	11.39
BCE INC 9 5/8 93 C$	300	95⅛	96⅛	+⅛	11.71
BELL CANADA 10 5/8 99 C$	150	93⅞	94⅛	-⅛	11.79
BRITISH COLUMBIA 9 1/4 93 C$	150	95⅛	96	+⅛	11.53
EIB 10 1/8 98 C$	130	94	94½	-⅛	11.95
FORD CREDIT CANADA 10 94 C$	100	93⅝	94⅛		12.18
GENERAL ELECT CAP 10 1/4 93 C$	175	97⅛	97⅞	+⅛	11.34
MONTREAL TRUSTCO 8 1/2 92 C$	100	92⅞	93½	-1⅛	14.07
ONTARIO HYDRO 10 7/8 99 C$	500	95⅞	96⅛	-⅛	11.65
QUEBEC PROV 10 1/2 98 C$	200	93	93½		11.89
ROYAL TRUSTCO 10 1/4 93 C$	100	96⅛	96⅝	+⅛	12.04
SWEDEN 9 3/4 93 C$	250	96⅛	97⅛		11.27
AUSTRIA 7 3/8 93 Ecu	125	94⅛	94⅝	+⅛	10.24
CNT 7 3/8 93 Ecu	250	92⅛	93⅛		10.95
CREDIT LYONNAIS 9 96 Ecu	125	91⅞	93½	-⅛	11.06
DENMARK 7 5/8 96 Ecu	250	88⅛	88⅝		10.58
EEC 7 5/8 94 Ecu	200	93	93½		10.22
EIB 10 97 Ecu	1125	98⅛	98⅝		10.26
ITALY 10 3/4 00 Ecu	1000	101⅛	101⅞		10.45
SWEDEN 7 1/2 93 Ecu	250	91⅝	92⅝	-⅛	10.92
BMW FINANCE 14 1/2 92 A$	100	101⅝	102⅛		13.01
COUNCIL EUROPE 13 93 A$	50	100⅛	100⅞	+⅛	12.71
EKSPORTFINANS 12 3/8 95 A$	75	100⅞	101⅛		12.06
FORD CRED AUST 13 93 A$	50	99½	100		13.17
ICI 15 1/2 92 A$	100	102½	103	+⅛	13.42
MCDONALDS CANADA 15 95 A$	100	105⅛	105⅝	+⅛	13.34
NAT AUSTRALIA BANK 14 3/4 94 A$	150	104⅛	104⅝		13.04
STATE BK NSW 14 1/4 99 A$	100	105¼	106⅛	+⅛	13.10
VOLKSWAGEN INTL 15 94 A$	100	104⅛	105⅛	-⅛	13.11
ABBEY NATL TREAS 13 3/8 95 £	100	102⅞	103⅛	+⅛	12.46
BARCLAYS JERSEY 9 1/2 93 £	250	94⅛	94⅞	+⅛	12.29
BRITISH GAS 12 3/4 95 £	150	102⅜	102⅞	+⅛	11.96
DEUTSCHE BK FIN 11 94 £	225	97¼	97½	+⅛	12.06
EIB 10 97 £	300	90⅞	91½	+⅛	12.15
FORD CREDIT FUNDING 9 5/8 93 £	50	93	93½		13.12
INTER AMER DEV 11 3/8 95 £	75	98	98⅜	+⅛	11.92
ITALY 10 1/2 14 £	400	85⅛	85⅝	+⅛	12.42
LAND SECS 9 1/2 07 £	200	73½	73⅞	+⅛	13.58
[illegible]					

FLOATING RATE NOTES (Issued, Bid, Offer, C.cpn) — [illegible]

SWISS FRANC STRAIGHTS — [illegible]

YEN STRAIGHTS — [illegible]

CONVERTIBLE BONDS (Cnv. price, Bid, Offer, Prem.) — [illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Japan gives go-ahead for yen interest rate swaps

JAPAN'S Finance Ministry is not opposed to Japanese securities firms getting involved in domestic yen interest rate swaps, Reuter reports from Tokyo.

Until now such swaps have been limited to banks and foreign securities firms.

Officials at both Daiwa Securities and Nomura Securities confirm that their firms have consulted with the ministry about doing fully yen-denominated interest rate swaps in Japan.

Officials at the securities firms said they were studying doing the swaps. However, an official in the Ministry of Finance securities division said: "They're probably doing it already. There is no law against it."

Daiwa and Nomura, among others, have consulted with the ministry and there has been no objection to their becoming involved in domestic swaps, a ministry official said.

Nomura is already doing foreign exchange swaps in London. By law, only banks can do foreign exchange swaps in Japan.

It is the first step for Japan's securities firms to get into the Japanese foreign exchange swaps market, said a swaps dealer at a large Japanese commercial bank.

The dealer said that while the entry of Japanese securities firms into the domestic yen swap market here means more competition for banks, the addition of securities houses, with their large customer bases, will increase the liquidity of the interbank market.

Scottish and Spanish banks in payment link

By David Lascelles, Banking Editor

THE Royal Bank of Scotland and Banco Santander of Spain are to extend their co-operation by setting up a joint payments system.

The two banks are launching Interbank Online System (IBOS) which will enable customers to move money between accounts in the two banks as if they were a single institution. This should save time and cost.

Mr George Mathewson, deputy group chief executive of the Royal Bank, said the arrangement would effectively give each bank a greatly extended branch network without the cost of acquisition. He said he expected a wide number of corporate and personal customers to use the service.

IBOS is based on a link-up between the two banks' computer systems, and uses existing installations. A pilot system is being introduced this month, and the full service will be available from next April. Mr Mathewson said he expected the service to be extended to other countries, and he was holding discussions with potential partners.

The Royal Bank and Banco Santander have a two-year-old European co-operation agreement based on a mutual share stake.

Brazil to repay $270m in Japanese debt

By Victoria Griffith in Sao Paulo

THE Brazilian government is paying back $270m in debt to three Japanese companies: Nippon Steel, Kawasaki Steel and Ishibras.

The move is a reversal of its previous position, which was to make debt payments only in the the context of a new debt agreement.

Brazilian president Mr Fernando Collor made the gesture in an attempt to attract further Japanese business investment.

The Brazilian president this week spoke to the Federation of Economic Organisations of Japan and promised increased flexibility in debt discussions.

Kawasaki will receive $150m, $42m of which was paid this week. The rest will be paid in two instalments by January 1991. Nippon Steel will receive $80m and Ishibras $40m.

● Japan National Railways Settlement is to launch Japan's first big real estate-backed convertible loan on December 12, Reuter reports from Tokyo. The company plans to raise funds to develop a site adjacent to Tokyo's Shinjuku station.

Correction
China fund

INDOSUEZ Asia Investment Services of Hong Kong is launching an international fund to invest in companies in the Peoples Republic of China, and not the Republic of China as reported on Tuesday.

EIB holds attention with deals in sterling and lira

By Deborah Hargreaves

THE European Investment Bank held the focus in the Euromarket yesterday when it launched one deal in sterling and one in lire to cover its regular lending requirements.

In addition, the market is expecting an important issue of Ecu bonds by another European institution, the European Development Fund, today.

The disarray in the UK Conservative party gave the EIB its opportunity to sell Eurosterling bonds to European investors attracted by a weak pound. The £150m deal achieved an all-in cost of funding of 35 basis points for the bank after the three-year issue was launched at a spread of 30 basis points over the relevant gilt-edged security. The spread tightened to 25 basis points during the day.

The EIB is one of the few borrowers which benefits from the turmoil in UK politics to tap the Eurosterling market. As swaps are not working, the borrower must have a need for fixed-rate sterling which the EIB uses for lending to its own clients.

At the same time, the bank accessed the Eurolire market for L300bn of funds which were partly swapped into floating-rate lire. The issue was brought as a fixed price reoffer which is unusual for the Eurolire sector, but the EIB felt it important to add to the transparency of a deal which will be placed mainly with Italian retail investors.

INTERNATIONAL BONDS

The issue was launched at a price of 99.55 and was quoted later in the day at 99.48 to 99.58.

An issue of floating-rate French franc bonds for Caisse Nationale des Telecommunications, the French telecom group, mined a rich seam of international and domestic demand for French floating-rate paper yesterday.

The deal pays an interest rate based on the three-month Paris interbank offered rate.

Deutsche Bank brought a deal for one of its own subsidiaries, Deutsche Bank Finance (Curacao), of Ecu200m bonds which was swapped. The deal met with such strong demand that it could have been 50 per cent larger, according to lead managers.

In the Swiss market, an issue of bonds for General Motors which was made earlier in the week was increased from SFr125m to SFr150m.

Nordic Investment Bank made its debut in the Matador market with an issue of Pta10bn. The five-year issue was the first in the Spanish market since July and could open the sector to other borrowers. It met with good demand both from retail and institutional investors and were trading at a level of 100.30 to 100.40 yesterday which was within fees.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
ECUs						
Deutsche Bank Fin.NV(a)♦	200	10¼	101⅞	1995	1⅞/1¼	Deutsche Bk Cap.Mkts.
STERLING						
EIB(a)♦	150	12	100.075	1993	10bp	BZW
FRENCH FRANCS						
Caisse Nat.d'Telecom.(c)†♦	2bn	(c)	100.05	1997	15/5bp	CCF
LIRE						
EIB(a)♦	300bn	12	99.55	1997	20/10bp	Banco di Roma
PESETAS						
Nordic Inv.Bank(d)♦	10bn	13.80	101.45	1995	1⅝/1	Banco Bilbao Vizcaya
SWISS FRANCS						
Sinko Kogyo Co.Ltd★★Φ	60	5¼	100	1995	-	HandelsBank Natwest
General Motors Corp(b)♦	150	7¾	101	1995	-	Credit Suisse
SWEDISH KRONOR						
Spintab(a)♦	400	13.7	101½	1997	-	*Bank of Tokyo Cap.Mkts*

★★Private Placement. §Convertible. ΦWith Equity Warrants. †Floating Rate Note. ♦Final Terms. a) Non-callable. b) Issue amount increased from SFr125mn. c) Callable at par from 1993 and on every coupon date, thereafter. Coupon pays 3-month Pibor. d) Matador issue. Non-callable.

Salomon to launch two Japanese convertibles

SALOMON Brothers, the US investment bank, will launch convertible bond issues for two Japanese companies next year after receiving provisional approval from Japan's Ministry of Finance this week, writes Deborah Hargreaves. The deals will make Salomon the first non-Japanese house to manage yen-denominated convertible bond issues in the Euromarket.

The mandates cover the launch of Y20bn and Y60bn of convertible bonds for Oji Paper and Fujisawa Pharmaceutical which will be backed by Hitachi Credit. They will be registered bonds and will be distributed globally.

Salomon is still in talks on the final structure of the bonds and it is considering distributing them by a private placement. They will be sold to US institutional investors through the 144a private placement market.

The mandates are a coup for Salomon and represent the fruits of a long hard slog to convince the MoF to open up Japanese business to foreign houses. Salomon is understood to have encountered hostility from Japanese brokers eager to keep the business for themselves.

The bonds will have to await a slot in the Japanese new issue calendar. They are expected to have maturities for about five years and will not be convertible into equity for the first two years.

Foreign firms suffer in Tokyo fall

By Robert Thomson in Tokyo

THE TOKYO market plunge this year has hit foreign securities firms, with just 20 of 46 houses reporting pre-tax profits, and only 12 showing profit increases, most of them marginal, in the first half to the end of September.

The poor results, reflected in figures submitted to the Ministry of Finance and subsequently leaked, have raised expectations that several houses will close their Tokyo operations. Brokers said yesterday trimming of staff and reviews of operations are underway at numerous firms.

Of the 46 houses trading for at least 18 months, Salomon Brothers, the US house, has been the star performer so far this year, and results remain strong at Baring Securities and Goldman Sachs.

At the other end, CS First Boston, Morgan Stanley and County NatWest apparently suffered the largest falls in pre-tax profit.

Salomon Brothers reported a 31 per cent increase in operating revenue, a 37 per cent increase in commission income and a 14.1 per cent increase in pre-tax profit to Y5bn. But the big riser in the ranks was Société Générale Securities, which leapt from 9th to 2nd place on the earnings ladder due to the success of its options business.

Mr Gilles Piard, Société Générale's managing director of north Pacific operations, said strength in options has been an advantage at a time of volatility in Tokyo: "If you are trading on volatility, then this is a great market to be in."

He said the most successful firms have been those strong in derivatives. A US broker said "the market has discovered derivatives", so large, multi-divisional firms with a range of products have naturally benefited.

Brokers caution that the figures presented to the Ministry of Finance may not fully reflect the earnings of a few companies, because they are compiled with tax authorities in mind. With Japanese tax rates high by world standards, there is a temptation to book profits elsewhere.

"Of course, some people don't show the full extent of profits in Japan, but there is a big difference between tax planning and tax avoidance," one representative said.

At the bottom of the table was County NatWest, which reported a loss of Y1.37bn for the half, a increase of 12.6 per cent on the same period last year. A company representative said that profitability had been undermined by the defection of 14 Japan-related sales staff in March.

"Obviously the poor performance of the market itself is a serious problem, but losing a sales team built up over three years was a great setback. We are building again, but the new staff need to time establish relationships with clients," the representative said.

"I wouldn't necessarily say that we are going to be in the black next half, but most people are going to find it pretty difficult. We are committed to Japan for the long term."

Morgan Stanley, the US house, reported a loss of Y1.13bn, despite an 11 per cent increase in commission income. The company was hit hard on its trading account, which apparently showed a loss for the period of Y3.21bn, but would not comment yesterday on the figures.

UBS Phillips & Drew reported a loss of Y640m, despite a 37 per cent increase in operating revenue, and a 74 per cent increase in commission income. The company said expenses related to the expansion of products offered to customers had dragged profits down.

"We have been able to pick up some very high quality staff. People have left other companies to join us because they feel that we are an institution that is going to do well," the spokesman said. Operating expenses for the period apparently rose 45 per cent.

The spokesman said some foreign houses have virtually closed down their operations, though not in name: "Closing shop completely is a bit different because there is a general perception that the Ministry of Finance would not make it easy for these firms to come back."

FOREIGN SECURITIES HOUSES APRIL-SEPTEMBER, 1990

	Operating Revenue Ybn	%	Commission Income Ybn	%	Pre-tax Profit Ybn	%
WINNERS						
Salomon Bros	21.6	+31	16.0	+37	5.0	+14
Soc Generale	5.7	+290	1.5	+241	3.2	+25
Baring	7.3	−3	6.6	−1	2.0	−4
Goldman Sachs	11.5	+27	11.1	+27	1.6	same
DB Capital Markets	2.8	+115	2.5	+109	1.0	+12
LOSERS						
County NatWest	1.6	−35	1.1	−35	−1.3	−12
Morgan Stanley	10.7	−24	13.2	+11	−1.1	−28
UBS Phillips & Drew	3.0	+37	2.6	+74	−0.8	−3
CS First Boston	4.3	−53	4.4	−43	−0.6	−28
Jardine	5.5	−1	5.3	same	−0.5	−9

Source: Ministry of Finance

Staatsbank issues DM6bn in FRNs

By Katharine Campbell in Frankfurt

THE Staatsbank, the former east German central bank now under the wing of the Bonn government, issued another two tranches of floating-rate notes yesterday.

Including this DM6bn of FRNs, the Staatsbank will have raised DM38bn since the beginning of August.

Yesterday's issue, led managed by Deutsche Genossenschaftsbank, consisted of a DM4bn tranche over 3¼ years at a price of 100.14 with a three-monthly reset date, and DM2bn for three years with a six-monthly reset priced at 100.09.

Both tranches pay a coupon of 5 basis points over Fibor. Dealers said prices had fallen on the three-month paper to 95-98 by the end of the day.

Blenheim Exhibitions in £19m convertible issue

By Stephen Fidler, Euromarkets Correspondent

BLENHEIM Exhibitions, the British exhibitions organiser, has issued a convertible stock to raise £19m for an acquisition and expansion.

The stock is unusual in that it carries no maturity date and conversion into equity is not allowed for three years.

The stock was priced yesterday to be convertible into equity at a price of 788.9p, a conversion premium of 15 per cent above the company's average share price over the previous five days. It pays 9¾ per cent for three years, which, if not converted, will rise to 10½ per cent until year five, and then to 11 per cent.

The issue, structured by Barclays de Zoete Wedd with Private Equity Partners becomes redeemable in the event of the company being wound up. It will be counted in the balance sheet neither as debt nor pure equity, but is expected to improve the company's gearing, according to BZW.

Debate rages over Italian tax

By Haig Simonian in Milan

A POWERFUL group of Italian banks, stockbrokers and other financial intermediaries have added their voice to the debate raging over the country's new capital gains tax.

The group has called for the tax to be levied at source, but for stockbrokers to be relieved of the responsibility for administering and evaluating payments. The tax, which applies to equities at rates of either 12.5 per cent or 20 per cent, has caused confusion and pessimism at the Milan stock exchange, where prices have plummeted. Among other suggestions, the group calls for distinctions to be made between quoted and non-quoted companies, and between different types of investments depending on their speculative nature. A definition of "non-speculative" instruments has not been given.

The group has focused special attention on the damaging effect of uncertainty on trading in equities on domestic stockmarkets, and the prospect of business flowing abroad.

Trading volumes in the 14 Italian shares listed on the International Stock Exchange's Seaq International in London system surged last month following the original impact of the new tax.

It now appears likely that the government will amend its hurried original proposals, which will in any case cease to have effect by the end of this month unless approved by parliament.

However, quite what shape any new legislation will take remains unclear.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

© The Financial Times Ltd 1990. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday November 15 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Wed Nov 14 Index No.	Tue Nov 13 Index No.	Mon Nov 12 Index No.	Year ago (approx) Index No.
1	**CAPITAL GOODS (195)**	689.47	+0.6	15.55	6.92	7.87	33.01	685.05	687.42	689.36	871.38
2	Building Materials (26)	912.79	+0.9	15.93	6.70	7.72	40.76	904.56	911.72	924.43	1045.88
3	Contracting, Construction (34)	1116.62	+0.4	16.87	7.18	7.70	58.72	1111.88	1111.44	1114.89	1391.54
4	Electricals (10)	1804.91	+0.3	15.54	7.46	7.87	99.22	1799.03	1807.88	1809.75	2502.90
5	Electronics (26)	1584.95	+0.6	10.50	5.42	13.04	58.75	1574.89	1583.53	1580.28	1923.70
6	Engineering-Aerospace (8)	396.35	+1.6	16.92	6.15	7.08	17.27	390.22	389.30	391.31	0.00
7	Engineering-General (47)	348.26	+0.4	16.66	7.43	7.24	17.45	347.04	348.29	346.97	0.00
8	Metals and Metal Forming (8)	393.66	−0.5	23.55	8.68	5.22	17.97	395.44	394.33	396.39	459.96
9	Motors (13)	271.74	+1.1	18.38	8.85	6.34	17.45	268.74	272.08	272.20	356.63
10	Other Industrial Materials (23)	1144.84	+0.6	14.74	7.12	7.84	60.96	1138.19	1139.11	1138.38	1599.62
21	**CONSUMER GROUP (177)**	1178.68	+0.4	10.35	4.35	11.97	33.03	1173.49	1178.41	1174.88	1248.97
22	Brewers and Distillers (22)	1493.49	+1.4	10.47	3.96	11.57	33.62	1473.49	1478.01	1469.34	1401.54
25	Food Manufacturing (19)	993.47	+0.5	11.77	4.95	10.47	28.13	988.06	992.67	984.66	1094.47
26	Food Retailing (16)	2214.35	+0.1	9.86	3.35	13.23	52.68	2211.85	2226.79	2217.77	2289.93
27	Health and Household (18)	2372.95	−1.1	7.49	3.19	15.82	50.32	2399.80	2404.68	2400.26	2512.83
29	Leisure (31)	1202.53	+1.3	12.67	5.53	9.59	44.58	1186.98	1190.89	1185.92	1570.49
31	Packaging & Paper (12)	478.86	....	13.44	7.27	9.14	23.79	478.88	478.37	478.63	529.54
32	Publishing & Printing (13)	2872.18	+0.8	12.30	6.54	10.20	137.99	2848.74	2855.76	2840.05	3614.16
34	Stores (34)	794.47	+1.2	10.76	4.58	12.07	23.86	784.87	790.85	794.75	770.17
35	Textiles (12)	410.33	+0.3	14.55	8.65	8.72	25.55	409.04	413.24	412.26	506.88
40	**OTHER GROUPS (107)**	952.30	+0.9	13.11	6.04	9.26	32.20	944.07	948.15	945.16	1116.76
41	Agencies (15)	958.38	−0.4	11.12	3.51	10.88	22.70	962.39	940.33	931.12	1481.84
42	Chemicals (24)	996.22	−0.7	13.44	6.75	8.77	46.81	1003.69	1015.09	1007.92	1172.68
43	Conglomerates (14)	1215.74	+0.6	13.99	8.24	8.58	38.53	1208.29	1204.42	1200.88	1600.80
44	Transport (15)	1745.47	+0.5	14.50	5.78	8.56	67.29	1736.14	1767.20	1792.26	2113.05
46	Telephone Networks (3)	1094.79	+2.3	12.13	4.57	10.73	26.09	1070.30	1073.90	1065.27	1105.13
47	Water (10)	1964.69	+0.8	14.76	6.89	7.67	68.12	1949.16	1969.14	1954.04	0.00
48	Miscellaneous (26)	1493.42	+1.0	12.53	6.04	9.27	62.06	1478.06	1485.82	1489.80	1865.58
49	**INDUSTRIAL GROUP (479)**	989.49	+0.6	12.33	5.43	9.95	33.79	983.41	987.42	985.65	1127.54
51	Oil & Gas (21)	2239.52	−0.2	9.99	5.62	13.08	85.44	2243.05	2271.43	2278.72	2156.20
59	**500 SHARE INDEX (500)**	1092.05	+0.5	11.97	5.46	10.33	37.98	1086.64	1092.52	1091.42	1214.02
61	**FINANCIAL GROUP (102)**	689.77	+1.5	-	6.92	-	33.16	679.77	683.38	680.24	779.22
62	Banks (9)	727.23	+1.6	22.49	7.92	5.82	42.00	715.48	721.86	719.55	804.87
65	Insurance (Life) (7)	1276.77	+1.2	-	6.01	-	55.82	1261.37	1271.60	1261.35	1288.74
66	Insurance (Composite) (6)	598.99	+3.4	-	7.14	-	32.08	579.05	584.28	571.73	646.98
67	Insurance (Brokers) (8)	935.93	+1.9	8.15	6.87	16.08	41.94	918.46	913.17	899.55	1073.02
68	Merchant Banks (7)	334.47	....	5.81	6.12	22.94	12.75	334.41	339.58	343.79	423.67
69	Property (44)	941.23	−0.1	7.67	5.20	17.23	27.11	942.58	936.11	943.45	1170.45
70	Other Financial (21)	243.06	+0.4	11.63	7.42	11.04	12.21	242.09	242.85	244.05	321.89
71	Investment Trusts (70)	988.37	−0.4	-	4.06	-	27.18	992.24	996.55	993.94	1208.61
91	Overseas Traders (5)	1075.03	....	13.30	8.59	8.95	69.98	1074.57	1073.74	1066.21	1383.56
99	**ALL-SHARE INDEX (677)**	992.83	+0.6	-	5.65	-	36.43	986.82	992.08	990.49	1110.00

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 14	Nov 13	Nov 12	Nov 9	Nov 8	Year ago
FT-SE 100 SHARE INDEX♦	2060.0	+14.0	2062.8	2046.7	2046.0	2056.0	2051.9	2040.6	2036.2	2209.8

FIXED INTEREST

	PRICE INDICES	Thu Nov 15	Day's change %	Wed Nov 14	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	118.82	+0.14	118.66	–	10.71
2	5-15 years	123.61	+0.30	123.24	–	11.95
3	Over 15 years	123.45	+0.47	122.88	–	10.78
4	*Irredeemables*	138.63	+0.23	138.32	–	13.46
5	All stocks	123.84	+0.26	123.52	–	11.55
	Index-Linked					
6	Up to 5 years	157.05	....	157.04	–	3.04
7	Over 5 years	142.35	+0.20	142.06	–	3.45
8	All stocks	143.34	+0.18	143.08	–	3.42
9	Debentures & Loans	101.97	+0.03	101.94	–	9.69
10	Preference	73.45	+0.06	73.41	–	5.84

	AVERAGE GROSS REDEMPTION YIELDS		Thu Nov 15	Wed Nov 14	Year ago (approx.)
	British Government				
1	Low	5 years	10.27	10.34	9.97
2	Coupons	15 years	10.80	10.87	9.71
3		25 years	10.85	10.91	9.62
4	Medium	5 years	11.39	11.45	11.10
5	Coupons	15 years	11.28	11.33	10.09
6		25 years	11.20	11.24	9.75
7	High	5 years	11.51	11.56	11.22
8	Coupons	15 years	11.48	11.53	10.30
9		25 years	11.45	11.50	9.89
10	Irredeemables	†	11.02	11.04	9.69
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.68	3.68	3.51
12	Inflation rate 5%	Over 5 yrs.	4.22	4.23	3.61
13	Inflation rate 10%	Up to 5 yrs.	2.53	2.52	2.72
14	Inflation rate 10%	Over 5 yrs.	4.05	4.06	3.46
15	Debs &	5 years	13.38	13.40	12.60
16	Loans	15 years	12.87	12.87	11.97
17		25 years	12.50	12.50	11.97
18	Preference	†	12.91	12.92	10.73

♦Opening index 2049.7; 9 am 2047.9; 10 am 2048.5; 11 am 2051.2; Noon 2060.4; 1 pm 2062.5; 2 pm 2060.9; 2.30 pm 2056.7; 3 pm 2056.3; 4.10 pm 2057.4; (a) 12.56pm (b) 9.31am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. CONSTITUENT CHANGES: Addition: Unichem (27). Deletions: International Business Communications (32), London &

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	70	0	16
Corporations, *Dominion and Foreign Bonds*	1	5	15
Industrials	284	276	986
Financial and Properties	145	161	435
Oils	18	32	41
Plantations	3	2	5
Mines	17	48	87
Others	80	35	90
Totals	618	559	1,675

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
100	Nil	10/12	10pm	¼pm	Arcadian Intl.	¼pm	
11	Nil	–	2pm	¼pm	Cauldon Group 5p	1¼pm	
285	Nil	21/12	218pm	63pm	*Eurotunnel Package*	75pm	−43
10	Nil	–	¼pm	¼pm	‡Propeller 1p	¼pm	
1	Nil	27/11	¼pm	¼pm	‡Property Trust 1p	¼pm	
100	Nil	–	26pm	22½pm	Unichem 10p	23pm	
55	Nil	–	¾pm	¼pm	Vivat Hldgs.	½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. ♦ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings Nov. 12
- Last Dealings Nov. 23
- *Last Declarations* Feb. 21
- For settlement March 4

For rate indications see end of London Share Service

Calls in Amstrad, Davy Corp., Eurotunnel, Young (H), Premier Cons. and Tuskar Res. Puts in Amstrad and Reuters.

LONDON TRADED OPTIONS

THE IMPACT of the UK Conservative party leadership election on the futures market began to lessen yesterday as the December FT-SE 100 index advanced in low-volume trading.

The difference between the December FT-SE 100 contract and the spot index opened at 20 points, compared with 23 at the previous close and brokers' fair value estimate of 26.

During the day the futures' premium over the spot index widened to almost 40 points, indicating that a more bullish tone is expected for the UK stock market.

Mr Harvey Neale of UBS Phillips & Drew said the futures market was being boosted by the belief that once the leadership contest was concluded and the current political uncertainty was at an end, UK equities would then move higher. The futures market was already begining to anticipate this possible change in sentiment, he said.

However, there so far seemed little sign that institutional investors had any appetite for the UK market. Turnover was low and the weaker-than-expected results from Wellcome were a discouragement.

December closed at 2,094, up 27 points on the day, while its premium over the cash index widened to 37.

In the traded options market, dealing was also subdued. The rolling forward into future months gave a modest boost to activity. Total turnover stood at 25,462 and was weighted towards calls.

Electronics were once again a busy sector after the government announced that it wants to end the duopoly in telecommunications, currently held by British Telecom and Cable & Wireless. The break-up plan for Racal Electronics also lifted turnover.

The busier stocks included BT (2,881 lots), which was swelled by switching into February 280 calls. British Airways (2,099), lifted by speculative call buying; Wellcome (1,260) after its results; Racal (1,148); and Hanson (942).

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Alld Lyons (*472)	420	62	80	83	4	8	12
	460	32	50	56	16	20	26
	500	13	31	36	37	39	47
ASDA (*126)	110	21	24	-	2	5	-
	120	14	18	23	5	8	10
	130	8	13	17	9½	13	15
Trafalgar (*155)	140	25	33	38	9	15	22
	160	16	19	24	22	28	35
Utd. Biscuits (*317)	300	31	38	44	6	12	15
	330	13	20	28	21	28	30

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Amstrad (*64)	60	7	12	13½	2½	5½	8
	70	2½	5½	9	8	11	12
Barclays (*348)	330	25	45	48	8	19	21
	357	12	-	-	18	-	-

[illegible]

Royal Insurance £91m in loss at nine months

By Richard Lapper

THE SCALE of the difficulties facing the UK insurance sector became clearer yesterday following the announcement by Royal Insurance, a leading UK general insurer, of disappointing results for the nine months to September 30.

Royal announced a pre-tax loss of £91m compared with a pre-tax profit of £125m at the same stage last year.

Royal's biggest problem has been the sheer volume of underwriting losses which in the first nine months reached £497m, against £255m in the same period of 1989.

Problems were most acute in the UK where underwriting losses amounted to £187m compared with a £27m surplus at the same stage last year. Heavy claims from fire, motor and other lines of business have added to problems caused by storm and subsidence losses.

Royal, which insures the buildings of around 15 per cent of British homeowners, paid subsidence claims of £76m in the first nine months, three times the £24m recorded at the same stage last year. Gross losses from last winter's storms amount to £250m.

Like two other companies earlier his week, Legal & General and General Accident, Royal announced rate increases for domestic buildings insurance. Mr Ian Rushton, Royal's group chief executive, promised an increase of "at least 10 per cent", adding "we'll look to see whether it should be more." Mr Rushton said that Royal was faced with a possible fivefold increase in the cost of its catastrophe reinsurance protections.

But rate increases are also on the cards on other lines. According to Mr Roy Randall, head of corporate relations, "When you strip out weather losses every line has got worse. There has been an underlying deterioration in the UK market and now insurers are saying enough is enough."

The frequency and cost of motor insurance claims rose with claims £25m higher than last year. Large property losses rose from £22m to £37m, with an increase in arson partially responsible.

Describing the price competition in the UK and other markets as "intolerable", Mr Rushton said that all Royal's companies had been instructed to ensure that "adequate prices" are received for "risks underwritten".

"The premiums we receive for the risks we accept must give a proper expectation of attaining profit." he said.

Problems have been compounded by the the general downturn in world stock markets which has depressed the value of Royal's capital and reserves. At September 30, capital and reserves stood at £1.8bn (£2.53bn), reducing the company's solvency margin to 35 per cent.

See Lex

Ian Rushton: price competition was intolerable — Tony Andrews

Hard to secure finance for the stake in the rump

Without test-marketing, Racal's mooted buy-out may meet difficulties with lenders, writes Maggie Urry

FEW WERE more surprised by Racal Electronics' announcement on Monday that it planned a management buy-out of its core business than those in the MBO industry.

Experts in the buy-out market say that Racal could find it difficult to raise the loan finance necessary. Indeed this thought may have been behind Racal's announcement last night that the details of the proposed buy-out will not be put forward for "several" months. There could be some improvement in the debt markets next year if interest rates fall.

Racal must first arrange a listing for Racal Chubb Security, which is to be demerged. Racal Telecom will also be demerged, but already has a quote.

After that the "rump" of the businesses will continue as a separately quoted company "to establish a valuation in the market", Racal said.

Racal did not take soundings about the availability of finance before making its decision to go for an MBO at a board meeting on Sunday. One banker said yesterday: "It is very unusual for a deal of this size not to be test-marketed in advance."

Further, bankers are saying privately that had Racal talked through the plan with some potential backers of an MBO, it would have encountered a reluctance among lenders to provide the money needed to buy out the "rump" left after the demergers.

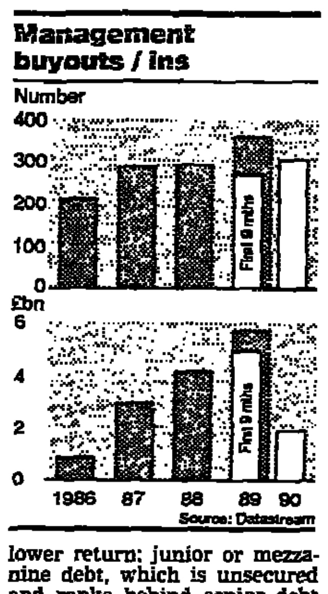
A purchase price for the rump of perhaps £400m has been mentioned, although that figure depends heavily on how much debt the business to be bought out will carry. "It's a tall order," said one banker yesterday.

According to another: "They will have plenty of offers of equity." Mr Gordon Bonnyman, managing director of Charterhouse Development Capital said: "Finding equity is not a problem in this market. There is a lot of equity money looking for things to invest in."

However, the picture on loan finance is different.

Bankers say that the availability of debt for MBOs at present is nothing like as abundant as it was 18 months ago. This follows the well-publicised problems of some of the large buy-out deals, such as the retail groups Lowndes Queensway, which went into receivership in the summer, and Magnet and MFI which have had to refinance their buy-outs.

MBOs are typically structured with three types of finance: senior debt, which ranks highest in the event of a default but wins a relatively lower return; junior or mezzanine debt, which is unsecured and ranks behind senior debt but carries a higher interest rate and sometimes an equity element; and pure equity which ranks last but on which returns can be high.



Mr John Brown, of CIN Venture Managers, says: "The driving forces behind pricing at the moment are the senior debt providers, who are extremely nervous. Some big banks are not doing leveraged deals at all."

Japanese banks, for instance, which at one time were big lenders to leveraged deals have reduced their interest markedly.

Another problem is that even the banks which are prepared to lend perhaps £10m or £15m of senior debt are reluctant to underwrite a big loan. "Whereas once you could get, say, £200m of debt underwritten by one or two banks, now you cannot," says Mr Bonnyman.

Instead the process of syndicating a loan – finding the eventual lenders of the money – has to be completed before the transaction is done. "That makes a bid for a public company much more difficult, though not impossible," says Mr Brown.

Further, raising mezzanine finance is not simple either. Although there are still lenders of mezzanine finance, there are also many opportunities for them to lend to relatively safe ventures.

This might be enough to daunt even an ideal candidate for an MBO. But bankers point out that Racal does not come into this category.

The perfect business for an MBO is one in a stable industry with strong cashflow and spare assets which can be readily sold to pay down debt. The Racal rump, by contrast, is a cash-hungry business, with a bumpy profit record, competing against larger companies in a fierce industry, and spending a lot on research and development.

These characteristics are a further disincentive to lenders, though the prospect of possible big profits from the Government Telephone System in future years would attract equity investors.

Banks' concern in lending to MBOs is not only that interest payments are met, but also that their capital is repaid. Bankers say that the required timescale for repayment has fallen to about seven years because of nervousness in the market. It could be difficult for a cash-hungry business to repay capital after paying interest and dividends on the equity.

All these concerns will tend to drive down the price which the MBO can pay for the rump businesses. Sir Ernest Harrison, chairman and chief executive of Racal, has said that the stockmarket undervalued the rump businesses. He may find that the bankers' valuation also does not meet his expectations.

There is yet another complication for Racal since the buy-out will also be a bid for a public company. There are always arguments over conflicts of interest in such cases. In the summer of 1989, a fierce row erupted over the Magnet buy-out. Since then there have been amendments to the Takeover Code.

The fear in such cases is that the management of the company has access to more information than the shareholders. And as the interests of the management and shareholders are opposed when it comes to setting the price of the buy-out, it is considered unfair that the management should have the upper hand.

Essentially, the code now requires public companies planning an MBO to appoint independent advisers to act on behalf of shareholders. In order to advise shareholders they should receive the same information that the "providers of finance" backing the deal get – typically this would include cashflow and profit projections for some years ahead. This same information must also be made available to rival bidders.

Racal also addressed these problems in its statement yesterday, saying that non-executive directors will take independent advice on the buy-out proposals.

Tying up an MBO while also abiding by the timetable of a public offer is a difficult process even when the debt markets are ready lenders. Racal may find that its plans will be harder to achieve than it imagined, and a delay only days after the deal was mooted is perhaps a recognition of that.

The risk of unbundling when the true values cannot be known

Richard Gourlay sizes up the potential worth of the government network business to the MBO team

RACAL ELECTRONICS' proposed break-up, announced earlier this week by Sir Ernest Harrison, chairman, has left analysts scratching their heads over what the sum of the parts will be worth.

Attention has focused on the 80 per cent of Racal Telecom that Racal Electronics did not float in 1988. The stake may have been attracting the interest of predators ahead of Sir Ernest's unexpected decision last Sunday to break up Racal Electronics to unlock its true value.

Based on the quoted market price of Racal Telecom, which operates the Vodafone cellular telephone business, this stake could be worth £2.2bn. Racal Chubb, the security business which is also to be floated, could possibly be worth £400m, according to brokers.

The value of the "rump" – what is left in Racal Electronics after the security and telecom stakes are spun off to shareholders - is far more elusive, especially because of the potentially lucrative but uncertain contracts with the UK government to carry voice and non-voice data between government departments.

Yesterday's announcement that Sir Ernest's management buy-out of the rump will take place only after it has found a value on its own in the market is recognition of how difficult that valuation is.

The real value in the Racal rump lies in Racal Electronics' Government Data Network (GDN) service and a proposed Government Telephone System (GTS) which it is currently negotiating.

The GDN service signed up its first government departments in January 1989 to carry non-voice data. It now services 18 of the 55 government departments it considers in its target market, including the Home Office, the Inland Revenue, the Department of Social Services, and Customs and Excise.

It claims it has contracts with all the major departments apart from the Ministry of Defence.

In addition, in February Racal Electronics won the right to make the only tender for a GTS. This would provide both voice and data communications between the same government departments on the same networks. If this contract is concluded, GDN would then effectively be subsumed within GTS. Racal and the government, through its Central Computer and Telecommunications Agency, are still negotiating a contract which is not expected until next year.

Racal will not discuss the development costs of GTS but analysts at UBS Phillips & Drew estimate them to be about £200m on top of operating losses.

They do not expect to see profits before 1995.

RACAL – THE RUMP

	Turnover (£000)*		Trading profits (£000)†*	
	1990	1989	1990	1989
Data Communications	335,627	286,060	13,099	26,758
Radio Communications	149,299	133,511	9,365	9,939
Defence Radar and Avionics	143,871	126,231	6,654	13,188
Marine and Energy	134,984	105,686	13,547	8,208
Specialised Businesses	173,689	168,251	6,123	(590)
Network Services (govt contracts)	4,079	119	(12,924)	(4,625)
Total	941,549	819,858	30,291	48,997

† Before exceptional items.
* Year to March 31.

The government is also likely to require Racal to set tariffs that recognise economies of scale over the 10-year contract life so they cannot be skewed to take account of the initial development costs.

Nevertheless, some brokers believe profits after five years could be substantial. According to one broker close to the company, revenues of around £200m could yield margins of 20 per cent and post-tax profits of £25m a year. Taking an earnings multiple of 10, the business could be worth £250m in five years' time.

Operating losses from the government network business of £22m this year and and estimated £25m next result in an underestimation of the longer-term value of the rump of Racal Electronics that Sir Ernest proposes to buy out.

On the other hand, a present value of future earnings will be difficult for shareholders to assess without commercial details of the government contracts.

Government-backed contracts of this type and size are exactly what potential financiers would like to see in an MBO portfolio. But bankers like Mr Barry Dean, managing director of Kleinwort Benson Development Capital, say that finance for leveraged buy-outs is increasingly difficult to come by, although it is still plentiful for the right equity investments, and that financiers are taking a much closer look at the quality of the businesses bought out.

Sir Ernest faces the additional problem that his proposed MBO entity will start life with some, if not all, of Racal Electronics' current debt of £375m.

Racal Telecom would be unlikely to assume any of that debt, as it already has its own accounts and has been spinning off cash for the group in any case, while Racal Chubb has also been cash positive.

In valuing the rest of the Racal rump, analysts have had little more information than the turnover and trading profit figures included in the 1990 accounts (see table). There is no information currently available, for example, on the capital expenditure commitments or tax losses that could have value.

Once the rump is quoted on its own as Racal Electronics, the market will give its valuation. Until then analysts, including Smith New Court, Racal Electronics' brokers, can do little more than guesstimate the value. Smith believes there could be between 10p and 30p per share of value in the rump for shareholders. Based on 1.3bn Electronics shares outstanding, the rump would be worth between £130m to £390m.

UniChem closes at 123p on debut day

By Clare Pearson

SOME 4,400 pharmacists became potentially significantly richer yesterday as UniChem, the pharmaceutical wholesaler that used to be a co-operative society, staged its debut on the stock market.

Shares in the company, virtually all of which have been owned by its pharmacist customers, were as high as 127p before closing at 123p.

This was slightly below some expectations that they would reach at least 130p in early dealings. But it represented a 23p premium to the two-for-five rights issue shares being sold at the same time.

It also meant that a pharmacist with an average holding of 14,000 shares was last night looking at a profit of nearly £16,000 on his investment.

UniChem is hoping for a low take-up of the underwritten rights issue so that a supply of shares will reach the market.

It is forecasting pre-tax profits up 10 per cent to £16m, and pro forma earnings per share of 13.3p, for 1990.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- ASEA, British Investment Trust, Ferr arl, Gates (Frank G.), J.S. Pathology, Kinta Kellas Investments, Owen & Robinson, Portsmouth & Sunerland Newspapers, Wilshaw.

Finals- Stratagem.

FUTURE DATES

Interims-	
Bogod	Nov. 21
Chamberlin & Hill	Dec. 3
Hewetson	Nov. 27
Moorgate Inv Trust	Dec. 13
Scottish Asian Trust	Nov. 22
South West Water	Nov. 29
Vosper Thornycroft	Nov. 29
Waddington (John)	Nov. 21
Wagon Industrial	Nov. 27
Finals-	
Capital Radio	Nov. 29
Guinness Mahon	Nov. 28
MEPC	Nov. 29
RHM	Nov. 20
Shani	Nov. 21
United Drug	Nov. 30

A rivalry that led to forced errors

Kieran Cooke examines how geographical expansion has hit the Bank of Ireland

FOR MANY years Allied Irish Banks and Bank of Ireland have dominated Irish banking. Consumers have often accused the two of running a cosy duopoly, milking the home market to finance large scale overseas investments.

But the picture is changing. As Irish banking has moved outward, so it has become exposed not only to more competition but also to the vagaries of the wider banking world. In the case of Bank of Ireland, the move has been little short of disastrous.

This week BoI announced pre-tax profits of I£15.8m (£14.7m) in the six months to September 30, a dangerously steep plunge from the I£93.5m profits recorded in the equivalent period last year. The corporate blood is on the carpet.

Mr Mark Hely Hutchinson, BoI's chief executive for the past seven years, resigned as the figures were announced. Mr Richard Keatinge, head of BoI's UK operations, has already gone. Further boardroom shake-ups are likely.

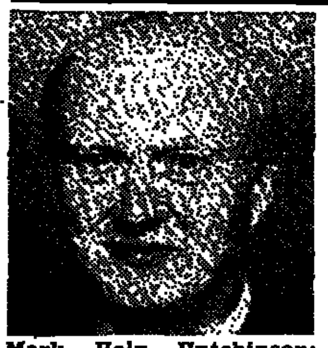
In many ways BoI's problems stem from the rivalry it has had with AIB. BoI traditionally had the more conservative image within Ireland. In the 70's, AIB began a large scale expansion in its operations in the UK, gaining a foothold within the Irish community. BoI realised it was in danger of being left behind and followed. It took risks, trying to buy market share and increasing its loan book.

Mr Brendan Lynch, an economist with Dublin brokers Bloxham Maquire, says that AIB was already well entrenched in the UK as BoI desperately tried to catch up. "BoI has always been reacting and following, never really taking the lead – that has led to forced errors" says Mr Lynch.

A substantial part of both Irish banks' UK business is in construction and land development, high risk areas in the present recessionary times. This week's figures show that BoI made a loss of I£12m in the UK in the first half of 1990, compared to a I£9.5m profit in the same period of 1989. AIB meanwhile saw its UK profits drop from I£21m to I£5.8m over the same period.

In the early 1980's AIB signalled its intention to expand into the US by taking a minority stake in First Maryland Bank, eventually taking full control last year. BoI spent I£230m to buy First New Hampshire Banks, the largest banking company in New Hampshire, in mid 1988.

First Maryland has not been immune to the downturn in the US property market: first half profits fell from I£22m to I£12.9m. But AIB's move into the US is seen by analysts as well judged, a purchase made relatively cheaply and at the opportune moment. AIB also had a large slice of luck with the recent failure of its attempted $217m takeover of Baltimore Bancorp. Such a takeover would now be posing AIB serious problems.



Mark Hely Hutchinson: resignation with figures

BoI on the other hand is seen to have made a grievous mistake in New Hampshire. In the first half of this year First New Hampshire had a pre-tax loss of $50.5m compared to a profit of $11.3m in the same period in 1989.

Mr John Horgan of Riada stockbrokers in Dublin, says that BoI purchased in the US at the peak of the market. "It seemed at the time the right and the fashionable thing to do. But it was a purchase made right on the edge of the biggest real estate crisis in New Hampshire since the depression."

Both of the big Irish banks have suffered due to a sharp increase in bad debts, particularly in the UK and US. AIB's bad debts have gone up from I£28m in the first six months of last year to I£60m this year. Over the same period BoI's bad debts leapfrogged even more – from I£16m to I£81.2m.

As well as its bad debt problems in the US with First New Hampshire, BoI is also believed to have had an exposure of $20m to Drexel Burnham Lambert. In Ireland BoI has an exposure to Goodman International, the beef conglomerate now battling for survival, of about I£21m while AIB, Goodman's bankers for many years, managed to reduce its exposure to a little over I£3m.

At one time AIB and BoI turned in similar profit figures. But now AIB is going well ahead, with market forecasts of a pre-tax profit in the year to March 1991 of between I£225m and I£230m. BoI meanwhile is expected to turn in full year profits of around the I£65m mark.

Mr David Kennedy, the former head of Aer Lingus appointed as BoI's acting chief executive, said that the second half of the year would be better for BoI though not sufficient "to redeem a very bad year".

"The last six months have been a very tough period and our results for the year will be very disappointing...we regard the problems we currently face as being under firm control. The group remains fundamentally very strong" said Mr Kennedy. Asset disposals are already underway, including the sale in the UK of the British Credit Trust Finance operation, which is expected to result in a loss of I£11m.

Mr Tony Ryan, the millionaire Irish businessman and head of the GPA aircraft leasing group, is a 5 per cent BoI shareholder. As a member of the BoI board Mr Ryan is believed to have insisted on the management changes already taken.

The Dublin market was not overly surprised by the latest BoI figures. BoI's stock market value has nearly halved since the beginning of the year and its shares are now trading around the Irish 150p mark – down from Irish 280p in January.

But there is some concern that despite the dramatic decline in profits, BoI is maintaining its interim dividend at 4p per share – which will mean taking more than I£14m out of reserves. This could in turn mean that efforts would be made to squeeze more profits from home operations.

One analyst said that BoI risked taking "too much milk" from the Irish cow. "The consumers might turn their backs on Bank of Ireland and it could spiral downwards."

FKI profit down 26% as conditions weaken

By Jane Fuller

FKI, the electrical products and engineering group which demerged from Babcock International in August last year, saw pre-tax profit fall by 26 per cent in the first half of 1990.

Following difficulties in the US, where 60 per cent of sales lie, and weakening markets in the UK, pre-tax profit slid to £26.3m (£35.4m) on sales of £389m (£396.6m) in the six months to September 28.

The group's original plan was to sell off the US business, but this was scuppered by the collapse of the leveraged buy-out market. In keeping it, the problems that had to be sorted out included bad contracts in materials handling and a slump in demand from US car makers.

Mr Norman Scoular, chief executive, stressed that the first-half results represented a recovery from the second half of last year, in spite of weakening trading conditions.

The operating profit derived from the US increased by more than £10m in the two consecutive halves to £16.8m, whereas the UK – with 40 per cent of sales – slipped by more than £2m to £17.7m.

Mr Scoular said there had been a 12 per cent adverse currency swing. Last year's US figures were translated at $1.60 to the pound, the first-half rate was $1.80.

Plant closures and other cuts reduced the workforce by 600 in the US and 200 in the UK, leaving a total of about 16,000.

Tony Andrews

Norman Scoular: recovery from the second half of last year

Borrowings increased by £19m to £88m, giving gearing of 34 per cent. Net interest costs climbed to £6.9m (£2.7m).

Earnings per share fell to 4.3p (6.31p). The interim dividend – held at 2p – is the only figure which reflected the inclusion of the Babcock International businesses for the 4½ months.

Babcock, in which shareholders received one share for every one held in the combined group, reports next Tuesday.

● COMMENT

The main bits of good news were that the US businesses have been taken by the scruff of the neck and that the dividend policy has become more generous. But with the economic climate worsening on both sides of the Atlantic, the present exercise is one of damage limitation rather than reaping the benefits of cost cutting. Two particularly painful points are the dollar's weakness against the pound – one analyst estimated this would knock £5m off pre-tax profit this year – and redundancy costs. More broadly, the signs of strain were visible in the disappointing big increase in interest payments. A full-year profit forecast of £52m gives a prospective multiple of six on yesterday's closing price of 51p, which is about 40 per cent of the price at the time of the demerger. With a prospective yield of nearly 11 per cent, it can be viewed as an income stock.

Foreign & Colonial in move to broaden appeal

By Philip Coggan, Personal Finance Editor

FOREIGN & COLONIAL Investment Trust has announced a link with Skandia Life in an attempt to widen the appeal of investment trust shares to the public.

There have been other life company/investment trust link-ups in the past, but this is believed to be the first time that a complete range of savings products has been linked to a single investment trust.

Investment trusts have faced the continual threat of takeovers in recent years because institutional investors are willing sellers of trust shares. Following the takeover of Globe earlier this year, Foreign & Colonial is the largest surviving general trust.

Trusts have not been able to call on private investors as a replacement for dwindling institutional demand because financial advisers have tended to steer the public towards unit trusts, where commissions are much higher.

However, financial advisers will receive the same level of commission on an investment trust-linked endowment policy or personal pension from Skandia, as they would on a unit-linked policy. Thus there should be every incentive for financial advisers to recommend investment trust-linked policies.

Mr Michael Hart, joint manager of FCIT, said that "broadly speaking, investment trusts have been used mainly for 'second line' savings – after mortgage and pension needs have been met". The aim of this link-up is for the trust to tap into the "primary" savings market – in particular pensions and endowment policies.

Borrie reports today on GrandMet-Courage deal

By Philip Rawstorne

MR PETER LILLEY, trade and industry secretary, expects to receive a report today from Sir Gordon Borrie, director general of fair trading, on the results of his negotiations with Grand Metropolitan and Courage over amendments to their proposed pubs-for-breweries swap.

After a report last month from the Monopolies and Mergers Commission (MMC), Mr Lilley indicated that the £2.6bn assets exchange deal, would be allowed if certain conditions were met by today's deadline.

The Department of Industry said yesterday: "We foresee no difficulty over the deadline. A decision on the outcome of the negotiations should be made within days."

Under the original deal, GrandMet would transfer its breweries to Courage; and all Courage pubs and most of GrandMet's would be injected into a joint venture company, Inntrepreneur Estates.

Discussions between GrandMet/Courage and the Office of Fair Trading have centred mainly on the length of a proposed exclusive beer supply deal between the enlarged Courage brewing business and Inntrepreneur Estates.

GrandMet/Courage had proposed a 10-year agreement with tied supplies being progressively reduced after the fifth year. Mr Lilley said this period should be reduced, but he did not endorse the MMC recommendation that tied supplies should be tapered off after two years and ended after five.

The shorter period would mean that Courage would be deprived of tied outlets before any of its major competitors. Some analysts suggest it would put about 1.5m barrels of annual production at risk.

If approval is received analysts expect GrandMet and Courage to renegotiate its financial details.

Dublin Independent takes 29.8% stake in Tribune

By Kieran Cooke in Dublin

INDEPENDENT Newspapers, the Dublin-based media group headed by Mr Tony O'Reilly, chief executive of Heinz, has announced it is taking a 29.8 per cent stake in Tribune Newspapers, publishers of the Sunday Tribune and a Dublin freesheet newspaper.

Independent says the deal, worth I£790,000 (£731,800), is being done for "investment purposes". The Sunday Tribune has a circulation of about 100,000 and made a pre-tax profit of I£213,000 in 1989-90. However, the Tribune has run into difficulties recently with high losses from its Dublin Tribune freesheet newspaper.

The Independent group has extensive media interests in Ireland and its Irish Independent newspaper is the country's largest selling daily. The group also controls two Sunday titles.

The recent overall performance of the Independent group – with newspaper and advertising interests in the UK, France, Mexico and Australia as well as in Ireland – has failed to live up to market expectations.

Some investments have turned sour while cost cutting measures at Irish operations have been delayed. First half profits of I£6.1m were only slightly up on last year and Dublin brokers are now forecasting full year profits around the I£11m mark, compared with a pre-tax profit of I£15.5m in 1989 and I£11.21m in 1988.

The market reacted nervously to the Tribune move and to the news of the resignation of Mr John Meagher, chief executive of Independent Newspapersfor the last five years.

There was also concern about Independent's high debt levels and uncertainty about future prospects for some of the group's main investments, particularly in the Australian market.

Independent's shares at one stage reached a new low of 195p in Dublin – a drop of more 60 per cent on the year.

Brent Walker wins backing on £103m bond plan

By Maggie Urry

SHAREHOLDERS in Brent Walker, the leisure group which has been struggling with a high level of borrowings, yesterday morning gave approval to a £103.3m convertible bond issue at a special meeting. This was despite not having information about the group's restructuring of its borrowings, which total £1.4bn. The group's shares rose by 5p to 91p yesterday.

At the meeting, Mr George Walker, chairman and chief executive, told shareholders that the complexity of the amendments to the bank loans were such that it had not been possible to give shareholders information about the new terms before the vote. He said an announcement would be made later in the day. But none had been made by the time the stock market closed.

The group has won a standstill on making capital repayments on its debt, which totals £1.4bn, until the end of 1991 and has also raised extra short-term working capital.

Shareholders' questioning of Mr Walker was probing but not fierce. Mr Walker described how the company had got into the financial "crisis" it now seems to have survived.

He said that in March the group realised it needed to convert £150m of short-term borrowings to medium term debt. The new funding was expected to come from Japanese banks, and a date of August 1 was fixed. After four presentations, one in Tokyo, the group was confident of raising the money. But late in July – 23 or 24, Mr Walker recollected – "we were informed that the money was not available".

Mr Walker then said that if the group's assets were all sold on a forced sale basis "there would be nothing left for the shareholders – in fact there would be a deficit". He added: "In this market we would be lucky to get half asset value in a forced sale."

Shareholders asked whether more sales would be necessary before the end of 1991 and what would happen if they were not made. He replied that the company had the standstill until the end of 1991, and he could not give an assurance about 1992.

The question of the group's dispute with Grand Metropolitan over the purchase price of the William Hill betting shop chain was raised. Mr Walker said that Arthur Andersen, the accountants, had now been appointed as the independent arbitrator on the dispute, but it would take three to six months to settle.

Asked about board changes, he said Mr Wilfred Aquilina, finance director, would be stepping aside although not leaving the company. Two non-executive directors would join the company, and their names would be announced in the next two weeks.

Asked after the meeting if one of the new non-executives would take the chairmanship, he said no. Asked if this meant he was retaining the chairmanship himself, Mr Walker indicated that he would not answer any more questions.

In a rousing speech to the shareholders, Mr Walker said that he was buying £27m of the bond issue because his confidence in the company was as strong as ever. "That's my money, my family's money, my children's money." He added: "All my wealth is in Brent Walker."

Ashley Ashwood

Brent Walker chairman George Walker: buying £27m of the bond issue to show his confidence in the company

Sotheby's cuts into losses

By Jane Fuller

SOTHEBY'S Holdings, the auction house controlled from the US, reduced its third-quarter loss to $5.4m from $8.3m. That left a pre-tax profit for the first nine months of $111.7m (£57m), which is 35 per cent up on the corresponding period of 1989.

Auction sales for the three months to September 30 fell to $107.5m ($124.5m). Mr Michael Ainslie, president and chief executive, said sales activity was minimal, the primary auction periods being the second and fourth.

Third quarter loss per share was 6 cents (10 cents), leaving earnings for the nine months at $1.17 (89 cents). The dividend is raised to 15 cents (3 cents) and the running total is $1.3 (56 cents). The quarterly payment in sterling will be at an exchange rate of $1.96.

Mr Ainslie said sales and earnings were expected to be lower in the fourth quarter than a year ago because of the declining levels in Impressionist paintings and the absence of single-owner sales.

The painting with the highest estimate for the season, The Lock by John Constable, had sold for £10.78m, a record for a British painting. Renoir's La Tasse de Chocolat had brought in $18.15m.

Nadir flies out on fund-raising mission to prevent bankruptcy

By David Barchard and Richard Donkin

MR ASIL NADIR, chairman of Polly Peck International, flew out of London last night on his first visit to Turkey and Cyprus since the group was placed in the hands of administrators on November 25

Mr Nadir is expected to spend this morning at his headquarters in Istanbul before flying to Cyprus later. Though Mr Nadir was not available for comment, sources in his publishing companies said he was expected to return to the UK early next week.

Mr Nadir, who personally owns a group of banking, newspaper and publishing companies in Turkey and Cyprus which is not part of Polly Peck, is expected to try to raise funds to stave off a bankruptcy petition brought against him earlier this week by BZW and supported by Shearson Lehman. The petition is due to be heard again on December 3.

He will also have a key role in helping the auditors gain access to Polly Peck's subsidiaries in Turkey and Cyprus, including its fruit export operations. A Turkish Cypriot court injunction has prevented details of the group's activities in Cyprus being disclosed.

Coopers & Lybrand Deloitte, two of whose partners are administrators, said last night that before his departure Mr Nadir had given a "categoric assurance" that the administrators would be able to obtain immediate access to Meyna, Polly Peck's fruit business on the Turkish mainland.

A team was standing by to move in today, Coopers said. Access has been denied since before the administration, when the accountants were attempting to prepare a report for Polly Peck's bankers.

Meanwhile in London, Phillips, the fine art auctioneers, yesterday disclosed that it has been asked to sell the contents of Polly Peck's headquarters in Berkeley Square. The sale is expected to raise about £3m.

It was understood yesterday that a deal was being arranged to increase the share capital of Noble Air, Mr Nadir's private airline, by bringing in an outside shareholder.

Sansui shares dip on sales forecast cut

By Ian Rodger in Tokyo

SANSUI ELECTRIC, the Japanese consumer electronics group in which Polly Peck International holds a 72 per cent interest, yesterday slashed its sales forecast for the current year, citing delays in shipping new products and reduced export revenues.

The company said sales in the six months to September 30 reached only about Y8.4bn (£33.18m), a third less than its original projection of Y12.4bn. Its pre-tax loss would be roughly Y2.9bn rather than Y2.5bn as forecast earlier.

Company officials blamed shipment delays on new products introduced in August and September. They also said the yen's appreciation against the US dollar cut export revenue.

Sansui shares eased Y5 to Y472 on the Tokyo Stock Exchange yesterday, which left the company's market capitalisation at Y76.3bn (£301m). The shares have lost roughly half their value since mid-August when Polly Peck's crisis began.

Sansui has insisted Polly Peck's problems were having had no impact on its operations as there was no trading links between the two.

Eurotunnel shares fall below offer price

By Andrew Hill

EUROTUNNEL shareholders yesterday watched the value of their investment in the cross-Channel project sink to less than the original offer price for the first time since the beginning of 1989.

However, the combined value of units, warrants, and nil-paid rights – the right to buy new shares in the company's recently-announced £500m rights issue – later recovered to 352p, 2p above the price in the 1987 offer-for-sale.

The price of Eurotunnel units, a volatile investment at the best of times, has been declining since Monday when they began to trade "ex-rights".

Yesterday the units fell a further 7p to 313p. Packages of three nil-paid rights slipped from 118p to 75p and Eurotunnel warrants dropped 1p to 24p.

One Eurotunnel adviser said yesterday: "There is not that much volume and what there is tends to be small selling orders."

He also pointed out that the nil-paid rights price included no premium for the value of half-price travel perks. The subscription period for the rights issue runs until December 3.

French acquisition for Blenheim Exhibitions

By David Owen

BLENHEIM EXHIBITIONS, conference organiser, yesterday reported a sharp jump in annual pre-tax profits and unveiled a FFr110.6m (£11.36m) French acquisition, Gramac, which organises a twice-yearly exhibition of childrens' fashion in Paris.

Blenheim's shares were unchanged at 700p.

Pre-tax profits for the year to August 31 rose to £21.3m (£9.6m) on turnover ahead to £88.8m (£35.5m). Interest payable amounted to £700,000, compared with £800,000 received.

The company said its net debt was currently £28.7m, up from £16m at the year-end, with the difference attributable to acquisition costs. In the year under review, the group made 21 acquisitions in Europe and the US for a total expected cost, in shares and cash, of £144m.

Earnings per share, climbed to 58.3p (37.8p). A final dividend of 14p (9p) was recommended, for a total of 20p (13p).

The acquisition consideration is in the form of an unquoted variable rate convertible unsecured loan stock, placed with Electra Private Equity Partners. A further £7.64m of the stock, which is convertible into ordinary shares from November 1993, has been placed for cash with the same body.

The company plans to change its name to Blenheim Group.

Tomkinsons drops 58% to £1.6m

Poor consumer demand knocked pre-tax profits for the year down 58 per cent at Tomkinsons, the carpet manufacturer and yarn spinner based in Kidderminster, writes Andrew Jack.

The company yesterday reported pre-tax profits of £1.58m in the 12 months to September 29, compared with £3.76m last year. Turnover fell 13 per cent to £24.31m (£27.95m) for the period. Earnings per share plunged to 16.6p (40.5p).

But the final dividend be maintained at 8p, making an unchanged total dividend of 11.5p for the year.

Interest payments shot up to £118,000 (£67,000) mainly as a result of short term borrowings to pay tax bills of more than £2m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Blenheim Exhib ....fin	14	Jan 25	9	20	13
Burton Group ....fin	3	Feb 15	6.4	6	9.2
Cater Allen ....int	6	Jan 4	5.37	-	24.6
Concentric ....fin	7.63	Jan 15	6.55	11	9.36
FKI ....int	2	Jan 28	2	-	4
Graham Wood ....int	3	Feb 28	3	-	8
Hartstone ....int	1.25	Jan 11	0.75	-	2
Locker (Thomas) ....int	0.5	Jan 2	0.5	-	1.6
McLeod Russel ....fin	3.05	Jan 15	2.75	5.8	5.25
Rexmore ....int	0.7	Jan 25	0.7	-	2.25
Sanders & Sidney ....int	3.45§	Jan 10	2.3	-	5.2
Shires Invest ....int	4‡	Jan 31	3.75	-	16.65
600 Group ....int	1.5	Jan 14	2.46	-	6.2
Staveley Inds ....int	2.3†	Jan 7	2.1	-	7.8
Tomkinsons ....fin	8	Feb 14	8	11.5	11.5
Wellcome ....fin	5	Jan 31	5	8.5	5.05
Yeoman Invest ....int	6.6	Dec 28	6	-¤	12.25

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡Makes 7.9p (7.35p) to date. ¤Total of 13.6p forecast.

UK COMPANY NEWS

Staveley highlights US input in rise to £11m

By Clare Pearson

STAVELEY INDUSTRIES, the measurement, mechanical and electrical services and manufacturing group, yesterday announced interim results which included a first-time contribution from Howe Richardson, the US company acquired for £21.8m in May.

Group pre-tax profits in the half-year to September 30 rose by 24 per cent to £11m (£8.9m) on turnover up 27 per cent to £162.8m (£127.9m).

Mr Brian Kent, chairman, said the results confirmed the "appropriate timing" of the purchase. Howe Richardson, although US-based, was acquired for its substantial measurement operations in the UK and Continental Europe.

UK and continental operations had performed "overall in an excellent way, but the US operations less so, partly due to the weaker dollar," Mr Kent said.

Howe Richardson had contributed all but 5 per cent of the increase in sales. Nearly 100 redundancies as part of a

Brian Kent: 'appropriate timing' of purchase confirmed

move to smaller premises by a New Jersey manufacturing plant, and other costs, reduced profits from the business.

The interim dividend has been lifted by 10 per cent to 2.3p (2.1p). Earnings per share, restated to reflect the £27.4m one-for-four rights issue in April, rose to 8.2p (7.6p).

Howe Richardson was on course for full-year profits of about £4m.

Interest charges were £1.3m (£1.5m): borrowings were higher, but a greater proportion was dollar denominated.

Mr Moger Woolley this month joined the board as a non-executive director. He was formerly chief executive of the DRG packaging group, taken over by Pembridge Investments a year ago, and then briefly chairman of Parkway Group before its acquisition in August by Wace Group.

In other changes Mr Richard Bradley has retired as a director and Mr Keith Battey, who heads the mechanical and electrical services group, joined the board.

● COMMENT

Compared with the surrounding gloom in the UK corporate sector, Staveley's results presented rather an attractive picture yesterday – especially the news that the Howe Richardson acquisition, which marks the latest stage in the company's moves to reduce dependence on its dominant British Salt subsidiary, was turning out entirely according to plan. The weaker dollar is hitting companies like Weigh Tronix, the US measuring equipment business, but an advance in full-year pre-tax profits, £24.5m last time, to £28m nevertheless looks pretty secure. It will be underpinned by a number of long-term contracts – for instance in mechanical engineering and contracting and the reliable nature of the salt side. That puts the shares on a prospective p/e of about 7: they could look quite attractive if all industrial materials companies were not under such a cloud at the moment.

Unbecoming Northern modesty

Juliet Sychrava on a supplier needing to beef up its private-sector culture

NORTHERN ELECTRIC is having a facelift. Its Newcastle head office is in the throes of redecoration: the ground floors still have the air of a tired government department, but the newly-painted top floors strike a more modern, private-sector note.

The change, the company hopes, will be more than skin-deep. It has instituted a "quality improvement process" to teach staff to work efficiently and solve problems imaginatively. "We need to beef up our private-sector culture," says Mr Jack Harmsworth, managing director.

Northern has established strengths.

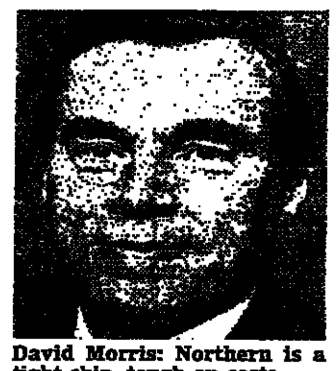
Mr David Morris, chairman, describes the company as "a tight ship, tough on costs". It is a view endorsed by brokers, including Smith New Court, which describes the company as "the leading regional electricity company in controlling its supply costs during the 1980s".

This is borne out by Northern's record over the five years to 1988/1989, when it achieved 14 per cent cuts in costs compared with a government target of 6.1 per cent.

Even more striking is Northern's record in debt collection. It has had a much lower ratio of bad debts to turnover than any other regional company over the last seven years. It also has a higher percentage of customers on direct debit schemes than any other company.

The company's operating costs per 1,000 customers look slightly less impressive: they have grown at a compounded average of 0.7 per cent, just better than the average for all the companies of 0.8 per cent.

Northern Electric



David Morris: Northern is a tight ship, tough on costs

Customer breakdown of sales

	Northern(%)	Industry(%)
Domestic	27.9	34.4
Commercial	19.0	25.9
Industrial	50.3	36.7
Other	2.8	3.0

Source: UBS Phillips & Drew

Mr Alan Groves, finance director, points out that this is partly because of recent investment in staff. "Unit sales were falling, so we thought it would be better to invest in manpower to boost sales than keep cutting costs. We are not expecting any big change in the cost level, but if unit sales grow you may see the cost per unit fall somewhat."

Marketing, he reflects, has not been the company's strong point. "Our old chairman was always very tough on costs. Now the new approach is we've got to go out there and be more positive, and sell more units."

Mr Groves' reluctance to be anything other than modest about the company is typical of Northern, where the small and somewhat low-profile board of directors does not seem to have taken as naturally to the self-promoting atmosphere of privatisation as some of its competitors. If Northern has a weakness, it is its management's tendency to project the company as average.

The old decor, however, has been partly stripped away. The retail business is in the capable hands of Mr Peter Jones, who has spent nearly 30 years in the trade, and was divisional director at Dixons before his appointment to Northern. "You can see he's got a different attitude to us," says Mr Groves. "We were looking it at a service, he's thinking of making a profit. He went round all our shops and told us what we should be doing."

Mr Morris, moreover, is the only chairman brought in to a regional electricity company from the private sector: he has 19 years experience with English Electric and GEC, and nine with Delta.

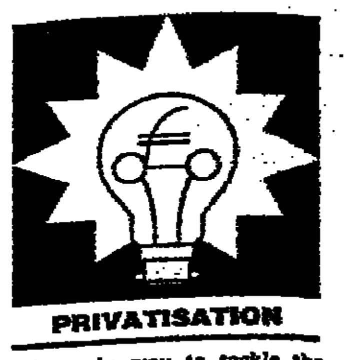
His early decision in August 1989 to restructure the company into stand-alone divisions is, he says, already having effect.

There is still work to do. Northern's fortunes, the company often points out, are very dependent on the regional economy. It has the lowest growth in domestic sales over the last five years of any regional company and its territory – dominated by Newcastle and Tyneside – has yet to shake off the aftermath of depression.

Northern itself, admits Mr Harmsworth, needs a more dynamic approach. "We have to beef up our marketing and advertising." He is reasonably optimistic that domestic sales will improve and commercial sales can be maintained, he says, and adds, with some reservations, that the industrial sector should also grow.

Industrial customers represent more than 50 per cent of Northern's total unit sales, of which ICI takes 10 per cent. British Oxygen, British Steel and British Coal are also sizeable customers.

Whether Northern, like nearby Yorkshire and Manweb, has a specific strategy for turning its industrial customer base to its advantage remains to be seen. But it has faced the threat of more large customers switching to on-site generation.



PRIVATISATION

"The only way to tackle the problem is to go into generation ourselves," says Mr Harmsworth. Northern has already invested in a joint-venture project to build a station on Teesside, and is looking at two other ventures in the area.

"Out into the future we have to secure our supplies of electricity. We can either negotiate with National Power and PowerGen and their old technology, or look for new technology, and that's what we've done."

Enterprise culture, Mr Harmsworth notes, is not one of the region's strong points. Whether it will be one of Northern's will be very much up to Mr Morris.

Northern expects pro-forma profits for the year to March 1991 of £53.9m pre-tax, and £42.2m post-tax on a historic cost basis, with a total dividend payment of £20m.

Publication dates of previous profiles

Eastern	Oct 9
Seeboard	Oct 16
South Wales	Oct 23
Norweb	Oct 30
Southern	Nov 6
Manweb	Nov 13

The remaining five profiles of the regional electricity companies will, from now on, appear on Tuesdays and Fridays

Concentric rises to £9m

By Paul Cheeseright, Midlands Correspondent

CONCENTRIC, the engineering and components group based in Birmingham, has extended its line of profits growth, unbroken for ten years, but the speed of increase has slowed in the face of international economic uncertainty.

Pre-tax profits for the year to September were £9.2m, compared with £8.18m. Total sales, of which 25 per cent were overseas, rose from £103.39m to £108.53m. Earnings per share came to 28.4p (27.23p) and the final dividend is 7.63p for a total of 11p (9.36p).

The group's products range from satellite receiving equipment to plastic moulds and valves and telemetry systems. "By midsummer we were seeing signs of a slowdown in many of the markets we serve. With the added uncertainty of problems in the Middle East, we are now beginning to see a worldwide slackening of demand," said Mr Tony Firth, the chairman.

Last year the workforce was trimmed by 6 per cent, taking it back to the 1988 level of about 2,100 employees.

Mr Firth said the reduction had not been caused by a shortage of work, but rather followed increases in productivity and the effects of the investment programme which led to greater degrees of automation. Further redundancies were, therefore, likely.

During the current year investment spending would be held at around the 1989-90 level of £5.7m, down from the £7m spent in 1988-89.

Reduced margins leave 600 down 63%

By David Owen

REDUCED MARGINS and a near doubling of interest payments have resulted in a 63 per cent decline in interim profits at 600 Group, the machine tools, optical equipment and distribution company.

Pre-tax profits for the six months to September 30 slumped to £1.66m (£4.42m). Turnover slipped to £72m (£77m).

The company said that exchange rate movements accounted for £3.2m of the turnover reduction.

An interim dividend of 1.5p (2.46p) was declared. Based on the weighted average of 53.8m shares outstanding, this was not quite covered by an attributable profit of £781,000.

Earnings per share were 2.5p (5.8p).

The company said it had been forced to make 8 per cent of its 2,000-strong UK workforce redundant over the first six months.

The figures included an exceptional charge of £754,000 (£650,000 credit) relating to reorganisation and redundancy costs.

The shares, which have tumbled from 115p in January, lost a further 2p yesterday to close at 40p.

Graham Wood moves to reduce gearing

By Andrew Taylor, Construction Correspondent

THE RECESSION in the construction industry has reduced pre-tax profits at Graham Wood, structural steel specialist, by almost a third to £607,000 during the six months to the end of September.

The group, which came to the stock market last year, was taking steps to reduce its borrowings – at around £5m they compared with shareholders funds of just £4.6m.

Mr Tom Goldberg, chairman and managing director, said some properties were being sold which would reduce gearing from more than 100 per cent to about 80 per cent by the end of the financial year.

The profit compared with £885,000 in 1989. Earnings per share, fully diluted, fell from 14.7p to 10.8p, but the interim dividend is held at 3p.

Mr Goldberg blamed the slowdown in the construction industry in southern England, where Graham Wood was particularly strong, for a sharp downturn in margins which had reduced profits.

Group sales, helped by a first time contribution from a new construction division, rose from £15.6m to £24.56m during the first half.

Interest payments, however, more than trebled from £100,000 to £362,000.

Operating profits from the structural steel division, accounting for about two thirds of group total, fell by about 40 per cent. The construction division contributed some £200,000 for the six months.

There was an extraordinary loss of £175,000 following the closure of the loss making fire proofing activities. A buy out of some of the assets and the trading name of Structural Fireproofers was agreed with some of the company's senior managers in August.

Mr Goldberg said the group had orders worth £20m, sufficient to take it through to next spring. There was still a reasonably good flow of orders but a number of projects which had been expected to go ahead had been deferred, or postponed, until the financial climate improved.

NEWS DIGEST

McLeod Russel £1m lower

A £1m fall in pre-tax profits was announced by McLeod Russel Holdings, the maker of specialist surface coatings, for the year to September 30.

On turnover down from £40.18m to £37.3m the company, which also has interests in textiles and property, made £7.75m pre-tax (£8.74m).

The recommended final dividend of 3.05p (2.75p) makes a 5.8p (5.25p) total. Earnings per 10p share fell to 13.4p (14.41p).

Business Technology makes £3.4m buy

Business Technology Group, which distributes office automation equipment and is also involved in lease broking, has conditionally agreed to acquire Total Office Products Group (TOP) and its subsidiaries for a total of £3.38m.

The consideration comprises payment of £1.19m in cash and the issue of 3.35m ordinary shares on completion, with £200,000 payable a year later, .

TOP, a Midlands-based distributor of photocopiers and facsimile machines, also provides lease finance facilities. In the year to August 31 1990 operating profits were £1.03m on turnover of £22.66m, and had net assets at that date of £1.1m.

Sanders & Sidney jumps to £912,000

In the opening half of the current year Sanders & Sidney, the USM-quoted employment counselling service, has doubled turnover and almost trebled profits.

And the trend had continued into the second half, said Mr Stephen Rowlinson, chairman.

In the half year to September 30 turnover came to £2.94m (£1.45m) and profit to £912,000 (£366,000). Earnings were 12.2p (5.1p) per share and the interim dividend is lifted to 3.45p (2.3p).

Provisions cause dive at Five Oaks

Pre-tax profits took a sharp dive at Five Oaks Investments in the year to June 30. This year's figure of £657,000 compares with £4.93m, restated, last time.

Mr Trevor Robinson, chairman, said rental income had risen for the fourth successive year, this time by 29 per cent to £2.63m. However, provisions against the value of development work in progress offset the pre-tax profits made from portfolio income and disposals. A tax credit lifted the outcome to £1.48m, against £3.51m previously.

Mr Robinson added that the previous year's retained profit had been reduced by £577,000 to reflect costs of settling a dispute with the contractor on a development project in 1988.

The final dividend is 0.4p, making a reduced total for the year of 1p (1.6p). Earnings came through at 3.13p (8.41p).

Whitbread Invest nav slips to 568.1p

Whitbread Investment Company, whose income derives mainly from brewery companies, saw its net asset value slide to 568.1p at September 30 1990.

That compared with 583.6p six months earlier and with 661.2p at end-September 1989.

In the half year, pre-tax revenue increased from £5.84m to £7m and earnings worked through at 8.32p (6.93p) per share. The interim dividend is 3.95p (3.85p).

Thos Locker warns on outlook

Thomas Locker (Holdings) saw taxable profits rise 22 per cent from £847,000 to £1.04m in the six months to September 30, on turnover up 5 per cent to £21.55m.

However, the directors of this general engineering company said indications were that the result for the full year would be lower than last time's £3m.

Tax paid in the first half came to £422,000 (£352,000) and earnings per share were 1.64p (1.32p). The interim dividend is maintained at 0.5p.

Farepak pays £2.6m for Tranfoods

Farepak, the mail order and food processing group, has paid some £2.6m cash for the business of Tranfoods, a subsidiary of Corton Beach.

Tranfoods produces cooked meat products which are distributed through catering and multiple retail outlets such as Tesco, Safeway and Brake Brothers.

It had forecast pre-tax profits of £500,000 for the year to January 31 1991, against £210,000 in the previous year. Assets being purchased were valued at £1.5m.

New London ahead in third quarter

New London, the oil and gas company which operates in the US, announced net income of $509,000 (£260,000) for the three months ended September 30 against $194,000 for the comparable quarter.

Total revenue was $11.06m ($7.03m) from which expenses took $9.58m ($5.96m) and depreciation, depletion and amortisation $978,000 ($870,000). Earnings per share worked through at 4 cents (nil).

The directors said that average oil prices for the current quarter have increased by 74 per cent to $27.14 per barrel.

Shires Investment nav falls to 206.83p

At September 30 fully diluted net asset value of Shires Investment had fallen to 206.83p, from 247.35p six months' earlier and 265.37p at end September 1989.

Net income for the half year rose from £1.76m to £2.09m. There is a second interim dividend of 4p which makes 7.9p (7.35p) to date.

Less than half of the proceeds of the March £15m debenture issue had been invested, so cash on deposit at the moment represented over 16 per cent of the portfolio.

The managers plan to launch a PEP called the Glasgow PEP early next year.

Edencorp Leisure ends bid talks

Edencorp Leisure has now ceased all bid talks. It has decided that the most advantageous course at present is to proceed independently, expanded by acquisition.

In mid-May the company announced it had received an approach that might lead to an offer. Since then talks had been in progress with a number of parties.

The company is paying an interim dividend of 0.2p in respect of the year ended October 31, and will announce a final with the audited accounts next January.

It is intended to move the company's share quote from the Third Market to the USM.

Rexmore makes £0.52m halfway

Rexmore, a supplier of upholstery, textiles, timber and related products, made a pre-tax profit of £524,000 on turnover of £20.69m in the half year ended September 29 1990.

The figures compared with £503,000 and £24m respectively in 1989. However, for the retained business turnover rose 11.5 per cent and operating profit nearly 15 per cent.

Mr Abraham Rosenblatt, chairman, said traditionally the year's results had been biased towards the second half.

Fully diluted earnings per share worked through at 2p (1.77p) and the interim dividend is again 0.7p.

Cater Allen reports significant gains

Cater Allen Holdings reported significantly higher profits in the half year to October 31, helped by contributions from trading and market making in sterling assets. Discount house also performed well.

Lloyd's agencies and futures broking profits were down, but these were offset by higher earnings from the Stock Exchange moneybroking and Jersey businesses.

Interim dividend is 6p, against 5.37p.

هكذا من الأصل

هكذا من الأصل

The sweet taste of a good ink

FOOD SCARES, such as outbreaks of listeria or salmonella poisoning, could prove the stimulus for the widespread implementation of a range of edible inks, which can be printed directly on to food.

The inks could be used to print the "sell by" dates, which guarantee the freshness of the foods, on to the food itself, rather than on to its wrapper.

If a product – a pork pie, for example – passes its sell by date, some unscrupulous food retailers have been known to remove the tell-tale wrapper and sell the pie on the delicatessen counter instead, says Tim Milligan, general manager of the ink manufacturing division of Willett, the UK company which is making the ink.

The ink could also be used to print the logo of the company on the product, to prevent counterfeiting of expensive foods. Willett cites as a possible example the luxury chocolate market. Each chocolate could have a tiny stamp in a contrasting colour on its base, to guarantee its authenticity.

The new ink uses standard approved food colourings in red, blue, violet, yellow, green and black. This is combined with a binding agent to ensure that the colour sticks to the food. To prevent the colour spreading through the food – a common complaint with food colouring – the Willett technique uses ethanol as a carrier to ensure only the approved characters are printed.

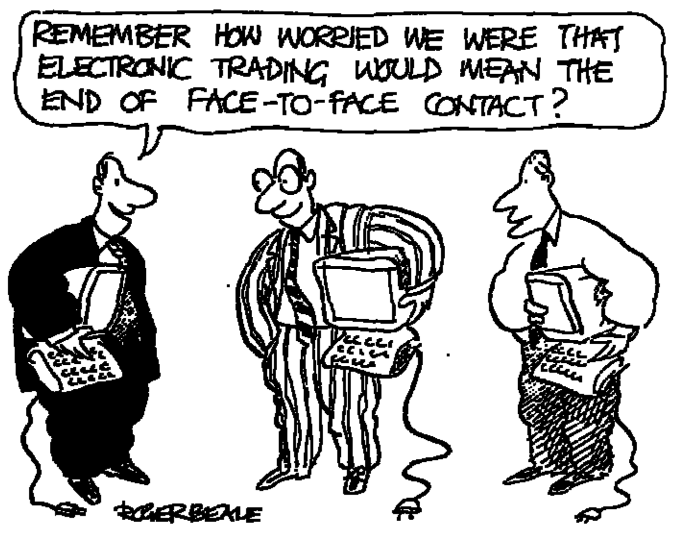
Willett has adopted a technique from the computer industry – that of ink jet printing – to imprint the ink on to the food substance. Ink jet printing fires minute droplets of ink at the surface to be marked, which means the instrument itself does not touch the food. Machines to carry out the task on the food production line cost between £8,000 and £10,000.

Willett first came up with the idea of developing an edible ink when its French subsidiary was asked to find a way of printing marks on the shells of eggs – in France the shell is deemed part of the food, not part of the packaging. Now the inks have been approved for use in the US and Europe.

Della Bradshaw

Richard Lapper charts how London's insurers are catching up with computerisation

Facing up to progress



Every working day in the City of London insurance brokers carry heavy binders of documentation to and fro between their offices and the Lloyd's building on Lime Street, the centre of London's insurance market.

Their presense is the most visible evidence of the antiquated business and administrative practices which permeate the London market and result in high costs, inefficiency and what one underwriter calls "a remarkable inability to respond to commercial realities".

Yet four years after Big Bang revolutionised the Stock Exchange, there are signs that the City's insurance market is finally grasping the nettle of computerisation. "We've got to modernise or we'll be put under severe competitive pressure from other markets," says Terence Hayday, underwriter with Holmes, Hayday (Underwriting Agencies) Ltd. As chairman of Lloyd's Network Steering Group, he is involved in initiatives both by Lloyd's and other London insurance companies.

An extensive back-up system – allowing Lloyd's syndicates and the London companies alike to account electronically for the premiums they earn and the claims they pay – is nearly in place. Preliminary agreements paving the way for electronic trading are close, says Hayday, who says that "the general level of awareness in the market has risen".

It has not been easy for Lloyd's to accept new technology, in part at least because of the extraordinarily fragmented nature of the market itself with its 400 underwriting syndicates and more than 200 other entities, including managing and members' agents and brokers. The growing importance of the specialist reinsurance, marine and aviation companies outside Lloyd's has made the task of corporate leadership of the London market even more difficult.

Nevertheless progress has been made. In June 1987 Lloyd's and the companies selected IBM as a preferred supplier for the London Insurance Market Network (Limnet). IBM provides an electronic mail and data interchange service to subscribers and by the end of next year most of Lloyd's backroom operations including the registration and accounting of premiums and claims received will be conducted electronically, a move which will lead to a phasing out of computer punch cards, of which until recently Lloyd's was one of the world's biggest users.

NA

But the development of electronic trading by which business could be conducted on screen has been much slower. Tony Hart, director of information systems at Merrett Group, one of the biggest managing and members' agents at Lloyd's, says: "When I started I thought I'd be linking the company up to an electronic trading system. In fact I've spent the last 18 months getting the basic systems in place."

Part of the difficulty here is that initial efforts by the Lloyd's authorities to introduce electronic trading computerisation ran up against immediate and widespread opposition from underwriters and brokers who saw the "paperless market" as a threat to the "face-to-face" negotiations through which business has traditionally been conducted.

Lloyd's commercial success has been based on its reputation as a centre where underwriters can insure goods and exposures with very high values – ranging from ships and their cargoes to oil rigs and space satellites. Many of these transactions are negotiated on an individual basis and can be highly innovative.

Face-to-face contact between broker and underwriter has been considered integral because unlike insurance for domestic property or motor cars, where millions of individuals buy more or less standardised products, the insurance of higher values can be extremely complex with terms and pricing varying sharply between different customers.

Lloyd's network initiative, known as Strategy for Networking (Stratnet), addresses this problem by seeking to make electronic trading a support for face-to-face negotiations. Routine business – such as when an underwriter subscribes to a risk whose main terms have been negotiated by a lead underwriter, or writes low-value high-volume risks (such as some reinsurance contracts) – could also be carried out electronically.

The Room Support System – a switch device or temporary storage computer based in the Lloyd's building – will provide the channel through which electronic trading can be carried out. The system will provide underwriters and brokers with much more accurate information on their own existing exposures than they enjoy at present, and should better enable them to evaluate the risks that they are offered.

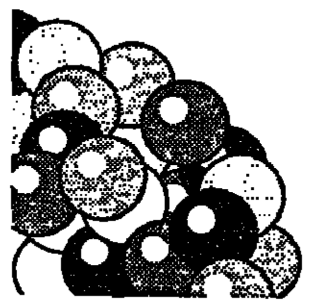
Stratnet's first phase begins on December 3 when six brokers and six underwriters will carry out tests which are limited to the placement of outwards reinsurance business (when syndicates buy their own reinsurance covers). If this is successful electronic reinsurance administration will then be introduced across the market next year.

Meanwhile criticism about the speed of developments being pushed through by Lloyd's has led to a number of private parallel initiatives. These include E-Slip, Marketwide, and Contract Data Exchange (C-Dex), which has been backed by more than 30 leading players on the London market, including some of the biggest Lloyd's brokers such as Alexander Howden, CT Bowring, EW Payne and Willis Faber & Dumas; and Lloyd's strongest agencies RJ Kiln, Merrett Group, DP Mann, Murray Lawrence and Partners and RW Sturge. A UK computer software company, Northdoor, was contracted to work on the technical side of the initiative.

All the participants in the C-Dex project are investing capital in the initiative, a factor which, according to Hayday, has increased the likely pace of the development. "If you sit senior people round the table and their money at stake you no longer hear talk of 'best endeavours' and the like."

C-Dex's backers are critical of the lack of co-ordination which they say is wasteful of time and resources. There is a danger that brokers who bring business to the market will be presented with a confusing plethora of competing initiatives, although Hayday says the agreement of a joint market standard will allow brokers to move between systems.

None the less C-Dex is still pressing for commercial thinking and energy to be focused on a single commercial operation, for example, which would "market the network through the provision of specific standards and applications, the ultimate goal being full electronic support for all market transactions". C-Dex says that both the US and European networks – Ivans and Rinet – are run on these lines.



WORTH WATCHING

Della Bradshaw

A colourful show in Las Vegas

DESPITE the gloomy economic forecasts, Fall Comdex '90 in Las Vegas, the world's largest computer trade show, is more colourful than ever, writes Paul Lavin.

● IBM has just proffered a new colour standard for personal computers called the extended Graphics Array, or XGA. It has a higher screen resolution and offers more simultaneous colours than the current VGA standard and is particularly suited to graphical user environments like the popular Windows 3.

● Portable computers are also getting a dose of colour. A process for making flat panel colour screens called thin film transistor (TFT) offers visual performance as good at traditional desktop cathode ray monitors. IBM, Share and Toshiba are displaying products and are expected to ship them in the new year.

While colour displays on personal computers have been around for a few years, generating colour output has been problematical.

● Britain's ICI has produced a process called D2T2 which will be incorporated into printers from Goldstar, of South Korea, and Lasertechnics, of Albuquerque, New Mexico. When driven by software packages like the new CorelDraw 2.0 the D2T2 printers can generate photographic-quality images in three minutes. Users of the $4,000 printer will come from the medical, publishing and commercial fields. These printers will ship early in 1991.

● Colorocs, of Norcross, Georgia, is already shipping a full-colour plain paper printer aimed at the business market. The Colorocs printer can produce five high-resolution pages per minute for networks of PCs or Unix workstations. It works with Apple Macintosh and PCs using PostScript-compatible software. Colorocs is using the same technology as its colour copiers in the new printer.

Come in, meter reading . . .

ITALY'S historic apartment buildings are set to be rescued from the drilling and disruption involved in the installation of electricity meters by a system which reads the meters over the radio waves.

Rather than having to install the meters in the building and then wire them to external equipment which can be seen by the meter reader, the Tedra concept, developed by Schlumberger Industries, of Barlassina, combines the use of radio signals and the electricity ring mains to send the meter readings back to the billing authority.

Householders using the system need a data concentrator, which is wired into the rings mains in their apartment, and special meters which transmit information on the amount of electricity, water or gas used. When the meter needs to be read, the signal is sent to the concentrator and then over the ring mains to a central electronic collection point in the building. From there the data is sent electronically to the billing authority.

Paper company third time lucky

PROVING that the simplest ideas are the most effective, a UK paper company has applied for world patents to protect its right to a fold.

The fold is being used to enable companies to photocopy forms which need to be signed in triplicate. Such forms now rarely use sheets of carbon paper between the individual paper sheets, favouring sheets of carbonless paper instead.

Such forms normally have to be printed, because if they are put in a copier the heat and toner breaks all the coated capsules that produce the lettering – when a form is written on the pressure breaks these mini capsules. Not only does this produce an illegible document but the released chemicals can destroy the copier.

The answer, developed by Carrs Paper, of Solihull, is to take a single A3 sheet of carbonless paper and fold it in half so that the capsules are enclosed between two sheets, protecting them from the toner and heat.

The form, which can be produced on a laser printer as well as a copier, is then printed on both sides of the paper.

Moving the earth with tunnel vision

BUILDING new sewers can create problems, particularly in urban areas because the contractors have to find a way of disposing of the earth that is removed. It is a particular problem with many systems that dilute the earth to slurry in order to extract it.

To do away with the problem Iseki Poly-Tech, of Tokyo, has developed a tunnelling system which disposes of the excess earth by forcing it into the ground around the pipe.

For use in micro-tunnelling, where the tunnels are usually less than 90cm in diameter, the hydraulically-driven drilling machine forces the spare earth through holes in the casing of the equipment to form a compact layer of soil around the pipe, which is driven in behind the cutter. This compact layer around the pipe makes the pipe more stable.

Laser cartridge in for a fill-up

THE latest recyclable product to join office stationery and plastic cups is the laser printer cartridge.

Over 1.3m laser cartridges are thrown away by UK businesses every year, but now a process has been developed which allows the cartridges to be re-filled. A service to carry out the process, already in use by the Green Cartridge Company in Hong Kong, is now being offered in the UK from Enjay Business Services, of Berkshire.

The specially developed process, which involves cleaning the drum ultra-sonically and testing the re-filled product to ensure there is no leakage, produces a product which costs just £40 to buy – compared with £80-£120 for a new cartridge.

Contacts: Schlumberger Industries: Italy, 02 238 1008. Carrs Paper: UK, 021 733 3030. Iseki Poly-Tech: Japan, 03 238 3261. Green Cartridge Company: Hong Kong 838 8855. Enjay: UK, 0628 604397.

Way open for iron ore project

WESTERN AUSTRALIA'S government has excised the Marandoo iron ore deposit and the required infrastructure corridor from the Hamersley Range National Park and paved the way for the owner, CRA, to exploit it, writes Kenneth Gooding.

The state government said Marandoo can be expected to earn A$5bn (£2m) over the next 20 years.

Mr Mick O'Leary, managing director of CRA's Hamersley Iron subsidiary, said the state government's decision would strengthen the future prospects of the Western Australian iron ore industry and "give greater security and confidence that deposits like Marandoo can be fully evaluated and developed without continuing and unnecessary conflict between mining and conservation interests."

Hamersley, one of the world's biggest producers, will spend about A$400m on Marandoo if it decides to proceed with the project which analysts described as "sizeable but not huge."

Output at 10m tonnes a year could start in 1994.

The state government also excised from the National Park CRA's Kintyre uranium project. Development of this project would depend on the Australian Federal government changing its policy of limiting uranium production to only three mines.

● Hamersley has declared force majeure on all its contracts because of a strike since November 1 which has halted iron ore shipments from the port of Dampier.

Losses loom for Brazilian orange industry

By Victoria Griffith in Sao Paulo

BRAZILIAN ORANGE producers fear that a marked increase in productivity in the US state of Florida will soon push orange juice prices in New York so low that Brazilian farmers will be forced to sell at a loss.

According to Mr Jose Nicolau, president of the Sao Paulo Association of Citrus Growers, this will happen if the the price of frozen concentrated orange juice falls below $1.08 a lb, less than 10 cents below the current futures prices in New York, which have fallen steadily from $1.99 cents a lb at the beginning of July. Estimates of orange juice production in Florida for 1990-91 rose sharply this month, from 135m boxes to 165m.

"Florida is beginning to pose a serious threat to the Sao Paulo market," says Mr Antonio Ambrosio Amaro, a researcher at the Institute of Agricultural Economy in Sao Paulo. According to Mr Jose Carlos Goncalves, president of the Brazilian Association of Juice Industries, the surge in productivity in Florida will throw between 150,000 and 200,000 more tonnes of juice on the market than last year.

If productivity continues its upward swing in Florida, the state could soon regain its lead over Sao Paulo in orange juice output. Sao Paulo began to exceed Florida's production in 1987 and within three years was managing to grow nearly three times more oranges than its northern competitor.

"Farmers here will have to increase their productivity to at least three boxes of oranges per tree if they want to maintain worldwide competitiveness," says Mr Amaro. Average productivity per tree in Brazil is now just 2.4 boxes.

Sao Paulo orange juice growers still have their advantages and are in far better shape than most agricultural producers in Brazil. After three years of good harvests, they have the money to invest in machinery and technology to improve efficiency. Their situation is in marked contrast to most other agricultural sectors here, which are facing heavy debts and limited access to credit.

Moreover, Brazilian growers still have far lower costs of production than their Florida counterparts. According to the Institute of Food and Agricultural Sciences in the US, a hectare of oranges in Sao Paulo cost an average of $404.35 in 1988, while a hectare in Florida required investment of $2,741.02. Much of the difference reflects the lower cost of labour in Brazil.

But as Brazilian orange prices are based on New York futures quotations, producers could soon find themselves in trouble. "A sharp increase in productivity is the only way out of what is threatening to turn into a crisis situation," says Mr Goncalves.

RTZ adviser sees limited fall in base metal prices

By Kenneth Gooding, Mining Correspondent

BASE METAL prices will move downwards during the next 12 months but even a world-wide recession will not drive them back to the extremely depressed levels seen in 1985-86, said Mr Phillip Crowson, senior economic adviser to the RTZ Corporation, the world's biggest mining group, yesterday.

Today's metals markets were not threatened, as they were in the mid-1980s, by huge overhanging stocks of metal and substantial excess production capacity, he pointed out during an RTZ presentation to the UK Association of Mining Analysts.

Supply and demand were in reasonable balance for most of the traded metals, Mr Crowson said, but lead and zinc were moving into surplus as new mines and smelters came into operation.

London Metal Exchange prices – on which most of the world's base metal contracts are based – would remain volatile because "traders will be traders."

Prices were also being underpinned by rising costs, he added. Labour and energy costs were rising and the opportunities for mining companies to win productivity improvements were more limited than at the end of the 1980s.

Cost-cutting at that time, which included deferred maintenance, had contributed to the technical problems which had plagued parts of the mining industry and cut output in the past three years. The industry now had to spend heavily on maintenance or there would be bigger capacity cuts and higher costs.

● The Century prospect in Queensland, Australia, had the potential to become one of the world's top half-dozen lead-zinc mines, said Mr Bob Wilson, RTZ's director of mining and metals.

The project, in the remote Lawn Hill mineral field, 250 km north-west of Mount Isa, was discovered by RTZ's 49-per-cent-owned associate, CRA. Although still in its early stages, Century looked likely to become a high-grade, low-cost open-pit mine, said Mr Wilson. If all planning, permitting and development work went smoothly, it might be producing lead-zinc concentrate by the mid-1990s.

South African fruit growers enjoy record season

The improved political image is paying export dividends, writes Philip Gawith

FAVOURABLE CROP conditions and a better marketing environment as a result of the country's improved political image have allowed South Africa's deciduous fruit and citrus industries to enjoy record seasons.

The two industries earn about 80 per cent and 90 per cent of their total returns from exports, and both sell the bulk of their production to the European Community, through single channel export marketing arrangements. The US, Canadian and Scandinavian markets remain closed following the imposition of sanctions in the mid-1980s.

Gross export earnings of Unifruco, the international marketing company of the deciduous fruit industry increased by nearly R400m (£80m at the commercial Rand rate), or 43 per cent, to R1.3bn in the season to the end of September. UK sales increased from £79m to £102m lb and sales to West Germany from DM140m to DM 205m (£70m).

According to Mr Leo Fine, chairman, the 43 per cent earnings increase was attributable to a bigger crop of excellent quality (12 percentage points), a more favourable exchange rate (10 percentage points) and better unit prices overseas (21 percentage points). He ascribed the latter growth element largely to dramatic political events in eastern Europe and South Africa since September last year and to better marketing.

Citrus sales remain estimates as the export season is not over yet, but Mr Arend Venter, General Manager of Operations and Finance at the Citrus Exchange, expects overseas revenue to exceed R1bn for the first time this year. He cites similar reasons to Mr Fine for the good performance. The industry expects to export 30.3m cartons compared to 30m last year. This compares with a 12 per cent volume increase by Unifruco from 30m cartons to 33.6m cartons.

Deciduous fruit prices benefitted from the greater offtake by eastern European customers, which meant that carry-over supplies in Europe were lower than usual when South Africa entered the market. "Our own products could therefore compete in a favourable climate, especially also because the initiatives of President de Klerk largely removed the restrictions which applied in the past. For the first time in a long while our products were again solely judged on merit and we could adopt a more aggressive marketing policy," said Mr Fine.

Mr Louis Kriel, managing director, said the improved climate was illustrated by the attitude of continental supermarkets. Six out of eight German supermarkets who had stopped supporting Unifruco this year invited them to start supplying again. He suggested that the quality and reliability of the Cape brand name was missed.

The firmer prices received, said Mr Kriel, were a function of the price-elasticity of a perishable commodity product. He said, hypothetically, that a 2 per cent over or under-supply situation could easily result in a 20 per cent shift in prices.

Apple growers fared best. Although the volume of cartons exported declined 3 per cent to 12m, gross earnings rose 51 per cent to R657m. Grapes, pears and stone fruits all enjoyed healthy volume and earnings increases. Earnings were R320m, R250m and R71m respectively.

Net farm income is, of course, lower than these figures, which take no account of input costs. Production and packaging costs have increased significantly and Mr Fine conceded that the net earnings of several fruits were lower than in the past. He believed, however, that the demand outlook is sufficiently optimistic for more plantings and investments in the industry to be be expected.

Mr Kriel said that he did not believe that the US, Canadian and Scandinavian markets would remain closed to South Africa beyond 1991. He estimated that their opening could add 20 per cent to Unifruco's potential. Mr Venter said that drought and an ambitious replanting programme had meant that for the past six to eight years the citrus industry had not had the capacity fully to meet the demands of all its markets in terms of type and size.

He added: "Total citrus production is due to increase significantly in the near future and the suspension of sanctions would obviously facilitate the disposal of this increased volume."

Mr Venter anticipated that export volumes – normally about 60 per cent of the total crop – could increase from the current level of 30m cartons to 46m cartons by 1998. He said that plantings in recent years of the noble varieties like navelates, soft citrus (clementines and satsumas) and the pigmented grapefruit varieties, meant future crops would probably be more in line with market preferences than in the past.

Falklands squid talks fail to produce accord

By John Barham in Buenos Aires

BRITISH AND Argentine negotiators failed to reach an accord to avert over-fishing in the disputed waters of the South Atlantic after three days of talks in Madrid ended on Wednesday.

An accord must be in place by February when fishing for the prized ilex squid, the region's most valuable species, begins. Previous talks in September in Rio de Janeiro also failed to produce an accord.

Diplomats from both sides said their governments would now assess their position before announcing a date and venue for more talks. Unilateral control would be unsatisfactory as the ilex banks straddle both countries' zones and that monitoring of catches would be less transparent. The British doubt the Argentines' ability to control fishing.

A British diplomat commented: "There is no disguising or pretending that these were very difficult negotiations." Mr Douglas Hurd, Foreign Secretary, and his Argentine counterpart, Mr Domingo Cavallo, rescued the talks after conferring by telephone.

An Argentine official said: "We are both convinced of the need to co-operate to protect the squid, but the question is how to get there."

Although the talks were to be limited to technical issues only, the question of sovereignty over the Falkland Islands inevitably underlines all conversations between the two governments.

A British observer noted that "the ilex squid is perceived to be essential to the islands' economy and has to be protected and so the islanders want to expand the exclusion zone to 200 miles."

That would anger the Argentines who have warned that an extension of the existing 150-mile zone would undermine the advance in bilateral relations over the past year.

Soyabean prices rally in Chicago

By Barbara Durr in Chicago

SOYABEAN FUTURES prices rose yesterday at the Chicago Board of Trade after declining steadily since last week's report of a larger than expected US crop. The November contract rose 5¼ cents to $5.60 in early trading and the January 1991 contract rose 5 cents to $5.71½.

But grain analysts attributed the rises largely to a technical rally. Mr Nick DeBrown, a grain analyst with Goldenberg Hehmeyer, said, "The market was due for a technical correction after being tremendously oversold."

Soyabean prices had dipped this week by 8-10 cents a contract.

They have been suffering from abundant supply and sluggish export demand. Large oilseed crops in Europe have helped dampen demand and the continuing impasse on agriculture at the Uruguay Round of the Gatt has loaded another weight onto prices.

India clears 500,000 tonnes of sugar exports

By Kunal Bose in Calcutta

DRIVEN BY the need to step up foreign exchange earnings to cope with a serious balance of payments crisis, the government of India has so far cleared the export of 500,000 tonnes of sugar for the 1990-91 season.

The progressive upward revision of the sugar export target from 100,000 tonnes in July to 500,000 tonnes now has been made possible by a comfortable carryover of 2.2m tonnes from the season that ended in September and the forecast of a bumper 1990-91 sugar crop of 12.5m tonnes, up from 11m tonnes in 1989-90.

According to officials, there clearly remains the possibility of further export releases as crushing of cane picks up. But the new government headed by Mr Chandra Sekhar will first have to settle down to business before a decision is taken on further export releases.

While the total supply of sugar in the current season is estimated at 14.7m tonnes, domestic consumption will at the most be 11.4m tonnes, leaving a surplus of 3.3m tonnes.

In the circumstances, India can very well raise sugar exports to 1m tonnes, according to Mr Prakash Dhanuka, spokesman for the Indian Sugar Mills Association. Although supply in the domestic market is controlled by the government through the mechanism of monthly releases, the industry is fearful that sugar prices may crash unless the country sells at least 1m tonnes abroad.

A price crash would affect the industry's ability to pay for cane deliveries, creating a level of unrest in rural areas that the new government could ill afford.

The industry's plea for higher exports will strike a sympathetic chord in the government since export of 1m tonnes would earn of over Rs5.5bn (£155m) in foreign exchange at the same time as lending stability to the domestic market.

Sugar exports will be handled by the government-owned State Trading Corporation with the assistance of Indian Sugar and General Exports and Imports (a company founded by the sugar industry). The government has told the industry that it will give cash assistance for sugar exports, but it will not be 20 per cent as has been demanded by ISMA. Since the cost of production of sugar in India is higher than prevailing international prices, the government will share the loss on exports with the industry.

Supplies for export will be provided from sugar mills that are near ports, which have already been identified. A significant development for the world sugar market is that from now on, India will be exporting at least 500,000 tonnes of sugar a year, said Mr Dhanuka. The Indian industry has a capacity to produce up to 13m tonnes and another 6.5m tonnes of new capacity has been sanctioned, calling for capital investment of more than over Rs4bn.

With that kind of capacity there would be no reason why India should not emerge as a regular sugar exporter.

Thai tapioca deal renewed

THE EUROPEAN Community yesterday renewed a voluntary restraint agreement with Thailand that would govern imports of tapioca for the next four years, the European Commission said, reports Reuters from Brussels.

The so-called tapioca protocol was signed by Mr Ray MacSharry, EC agriculture commissioner, and Mr Amaret Sila-on, Thai Trade Minister.

Under the agreement Thailand will be allowed to export 21m tonnes of tapioca to the EC from 1991-1994 at a preferential 6 per cent tariff. Imports over quota are levied at the same rate as barley, making them uneconomic.

The quota is unchanged from the present agreement, but Bangkok will be allowed to raise exports in any given year by 250,000 tonnes to 575m.

WORLD COMMODITIES PRICES

MARKET REPORT

Gold pared earlier losses slightly in late trading on the London bullion market, supported by profit taking purchases after New York's sharp fall on Wednesday. Platinum followed a similar pattern, ending near the top of the day's range. On the LME zinc staged a technical correction to the recent fall to contract lows. Traders said the market had become oversold in the last part of the decline to a long term chart target of $1,250 a tonne for three month metal, and subsequent short covering found the market rather thin at times. London cocoa prices closed ahead. "Technical factors rallied the market, inspired by the strength of New York," one trader said, adding that London lagged behind New York, despite some follow-through buying interest, and that the recovery was based mainly on arbitrage business. New York frozen orange juice futures were sharply lower at midday. "Short covering supported us in the last two sessions but that dried up today and we uncovered sell stops under 114 cents a lb in the January," said one analyst. In Chicago wheat prices set new lows by midday – traders cited the prospect of continued slack demand for US wheat and steady commodity fund selling.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$26.85-6.95v	+0.75
Brent Blend (dated)	$32.55-2.65	-0.05
Brent Blend (January)	$30.90-1.00	
W.T.I. (1 pm est)	$30.90-0.95v	-0.45

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$300-305	-10
Gas Oil	$307-309	-3.5
Heavy Fuel Oil	$130-132	+1
Naphtha	$310-315	-0.5
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$379.25	-5.00
Silver (per troy oz)♣	418c	-4
Platinum (per troy oz)	$414.25	-2.25
Palladium (per troy oz)	$92.75	-0.40
Aluminium (free market)	$1835	+20
Copper (US Producer)	120c	-1
Lead (US Producer)	50c	
Nickel (free market)	412c	
Tin (Kuala Lumpur market)	16.25r	
Tin (New York)	286c	
Zinc (US Prime Western)	70c	
Cattle (live weight)†	105.30p	-2.14*
Sheep (dead weight)†	137.24p	-22.4*
Pigs (live weight)†	76.17p	-2.80*
London daily sugar (raw)	$265.4q	-4.8
London daily sugar (white)	$313.0q	-1.5
Tate and Lyle export price	£244.0	-2.5
Barley (English feed)	£117.5	Unq.
Maize (US No. 3 yellow)	£160.0	
Wheat (US Dark Northern)	£81.0u	
Rubber (Dec)♥	51.25p	
Rubber (Jan)♥	51.25p	
Rubber (KL RSS No 1 Dec)	243.0m	+1.0
Coconut oil (Philippines)§	$385z	
Palm Oil (Malaysian)§	$332.5u	+2.5
Copra (Philippines)§	$240.0t	
Soyabeans (US)	£132.0	-1.0
Cotton "A" index	82.60c	
Wooltops (64s Super)	398p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. u-Dec v-Jan. w-Jan/Feb z-Feb/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	240.00	238.00	231.60
Mar	224.40	226.80	228.40 222.60
May	224.00	225.80	226.80 222.40
Aug	225.80	227.60	228.00 225.80
Oct	226.00	227.60	227.00 226.00

White	Close	Previous	High/Low
Dec	312.5	315.0	313.6 309.0
Mar	304.5	306.0	307.0 302.0
May	305.0	306.5	304.0 302.5
Aug	308.0	308.5	307.5 305.0
Oct	290.5	290.5	291.0 288.5
Dec	288.0	288.0	286.5 285.5
Mar	288.0		285.5 285.0

Turnover: Raw 1595 (1862) lots of 50 tonnes. White 414 (1059)
Paris- White (FFr per tonne): Dec 1532, Mar 1518, May 1521, Aug 1547, Oct 1460.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Dec	31.80	31.49	32.45 31.45
Jan	30.20	30.43	31.23 30.15
Feb	28.90	29.20	29.70 28.90
Mar	28.05	28.15	28.51 28.05
Apr	27.40		27.40
IPE Index	32.54	32.16	

Turnover: 26672 (36613)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Dec	286.50	290.25	289.00 283.00
Jan	275.00	278.50	276.75 271.00
Feb	258.50	263.75	261.50 257.50
Mar	242.00	249.00	247.00 242.00
Apr	229.00	233.50	233.00 226.00
May	226.00	227.00	226.00 220.00
Jun	220.00	224.00	220.00
Jul	218.00	220.50	218.00

Turnover 18340 (17751) lots of 100 tonnes

FRUIT & VEGETABLES
Clementines 30-45p a lb are pick of the week, reports FFVIB. Oranges remain superb at 6-30p each, as do kiwifruit at 12-25p. Plenty of homegrown Cox's apples at 40-55p a lb and French Golden Delicious at 40-50p a lb. Conference pears remain plentiful at 35-45p. Brussels sprouts are plentiful and on promotion in many major supermarkets 24-34p. English carrots 20-30p and Cabbage red and white 20-30p. Celery remains a good buy at 30-40p per head, with British and Chinese leaves at 65p-£1.20. Spring onions at 25-35p a bunch and Spanish tomatoes coming into season at 45-70p a lb.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	671	658	672 659
Mar	714	701	718 704
May	743	728	747 732
Jul	765	752	766 757
Sep	787	774	787 778
Dec	812	801	812 805
Mar	837	828	837 833

Turnover: 7627 (3879) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 14 884.38 (885.37) 10 day average for Nov 15 880.46 (878.50)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	563	561	563 555
Jan	577	575	578 568
Mar	555	552	557 549
May	568	561	568 559
Jul	583	580	585 577
Sep	599	597	599 596
Nov	610	614	611 610

Turnover: 2020 (1906) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 14: Comp. daily 69.27 (68.83). 15 day average 71.01 (71.26)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Apr	147.9	148.9	148.8 147.0
May	166.5	169.0	167.0 165.0

Turnover 137 (108) lots of 40 tonnes.

SOYAMEAL – HI-PRO £/tonne

	Close	Previous	High/Low
Feb	114.50	115.00	114.50
Apr	118.00	119.00	118.00
Jun	116.50	119.00	117.50 116.50
Aug	118.00	120.00	118.50 118.00
Oct	119.50	121.00	119.50

Turnover 182 (165) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Nov	1307	1298	1300
Dec	1300	1300	1300
Jan	1257	1255	1265 1258
Apr	1215	1220	
Jul	1030	1033	1030
BFI	1293	1287	1293

Turnover 71 (124)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Nov	116.10	115.80	116.20 116.00
Jan	119.40	119.10	119.60 119.30
Mar	123.15	122.80	123.35 123.15
May	126.50	126.30	126.75 126.50
Jun	128.00	128.00	128.00

Barley	Close	Previous	High/Low
Nov	112.85	112.95	112.95 112.85
Jan	116.00	115.80	116.00

Turnover: Wheat 463 (201), Barley 13 (53)
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	91.5	91.5	91.5

Turnover 5 (5) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 12,000 lots
Cash	1642-4	1625-7	1636	1635-6		
3 months	1667-8	1655-6	1668/1655	1662-3	1662-3	63,125 lots
Copper, Grade A (£ per tonne)						Total daily turnover 14,085 lots
Cash	1338-40	1322-4	1332	1331.5-2		
3 months	1332-4	1323-4	1332/1225	1327.5-8.5	1327-8	108,712 lots
Lead (£ per tonne)						Total daily turnover 1,016 lots
Cash	365-7	368-70	368.50	368-8.5		
3 months	370-0.5	371.5-2	372/370	371-1.5	371-1.5	11,438 lots
Nickel ($ per tonne)						Total daily turnover 917 lots
Cash	8800-50	8825-75	8875/8800	8850-5		
3 months	8500-25	8430-50	8500/8475	8495-500	8450-75	7,745 lots
Tin ($ per tonne)						Total daily turnover 905 lots
Cash	6140-60	6160-70	6150/6140	6130-40		
3 months	6155-60	6160-70	6150	6150-60	6150-70	8,931 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 3,975 lots
Cash	1295-300	1270-5	1282/1280	1282-4		
3 months	1270-2	1250-2	1272/1252	1260-2	1267-70	19,940 lots

LME Closing £/$ rate: SPOT: 1.9603 3 months: 1.9320 6 months: 1.9116 9 months: 1.8924

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	379-379½	193½-194
Opening	378¼-378¾	193-193½
Morning fix	378.50	193.162
Afternoon fix	378.00	192.956
Day's high	379-379½	
Day's low	377¾-378¼	

Coins	$ price	£ equivalent
Mapleleaf	380-385	194-197
Britannia	380-385	194-197
US Eagle	380-385	194-197
Angel	380-385	194-197
Krugerrand	378-381	193-195
New Sov.	85-91	45½-47
Old Sov	89-91	45½-47
Noble Plat	419.20-425.90	213.85-217.05

Silver fix	p/fine oz	US cts equiv
Spot	212.80	417.50
3 months	220.05	425.80
6 months	226.80	433.95
12 months	233.70	450.50

TRADED OPTIONS

Coffee	Jan	Mar	Jan	Mar
550	37	35	10	30
600	13	70	36	62
650	3	8	76	103

Cocoa	Dec	Mar	Dec	Mar
600	71	123		9
650	26	85	5	21
700	4	55	33	41

Brent Crude	Jan	Feb	Jan	Feb
3000				
3050				
3100		290		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	379.1	377.6	378.3	378.3
Dec	380.0	378.5	381.1	378.5
Jan	389.1	380.4	0	0
Feb	383.6	382.1	384.8	382.4
Apr	387.1	385.6	387.6	385.5
Jun	390.9	389.4	390.5	390.2
Aug	394.3	392.9	393.9	393.7
Oct	398.0	396.6	0	0
Dec	401.8	400.4	402.3	400.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	415.7	413.9	417.5	412.0
Apr	420.2	418.4	421.8	418.5
Jul	424.2	422.4	424.0	421.5
Oct	428.6	426.8	425.8	424.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	410.6	416.3	413.0	413.0
Dec	411.7	417.5	418.0	409.0
Jan	413.7	419.5	420.0	420.0
Mar	420.5	426.4	426.5	418.5
May	426.3	432.4	433.0	424.0
Jul	432.1	438.3	438.0	431.0
Sep	437.8	444.1	442.0	442.0
Dec	446.2	452.6	452.0	446.0
Jan	448.5	454.9	0	0
Mar	455.0	461.4	463.0	461.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	119.00	116.20	119.20	117.80
Dec	116.45	115.10	117.50	114.70
Jan	115.05	114.00	115.50	116.20
Mar	112.35	111.35	113.30	111.60
Apr	111.35	110.45	0	0
May	110.15	109.35	110.50	109.80
Jun	109.15	108.45	0	0
Jul	108.15	107.55	108.70	108.00
Aug	107.20	106.65	0	0
Sep	106.45	105.95	107.00	106.70

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	30.50	31.16	31.86	30.50
Jan	30.35	30.74	31.40	30.35
Jun	26.50	26.18	26.77	26.20
Jul	26.00	25.64	26.25	25.50

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	8650	8664	8890	8570
May	7290	7245	7315	7290
Jun	7110	7045	7215	7075
Jul	7000	6915	7000	6950
Aug	7012	6920	7012	6955

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1243	1179	1253	1180
Mar	1302	1240	1307	1250
May	1332	1280	1340	1292
Jul	1374	1318	1375	1328
Sep	1409	1353	1377	1371
Dec	1446	1390	0	0
Mar	1486	1430	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	81.75	84.30	84.20	81.75
Mar	85.75	87.75	87.75	85.60
May	88.25	90.15	90.10	88.15
Jul	90.50	92.50	92.50	90.50
Sep	92.35	94.55	94.70	92.35
Dec	95.35	197.65	97.50	95.35
Mar	97.00	98.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.06	10.20	10.25	9.99
May	10.03	10.15	10.18	9.97
Jul	10.03	10.14	10.14	9.97
Oct	10.04	10.14	10.14	10.04
Mar	9.96	10.08	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	74.15	73.99	74.55	74.02
Mar	73.44	73.58	73.85	73.35
May	73.70	73.80	74.10	73.70
Jul	73.90	74.02	74.40	73.90
Oct	67.81	67.76	68.00	67.76
Dec	65.51	65.61	65.76	65.51
Mar	66.28	66.30	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	112.60	115.90	116.00	112.60
Jan	111.60	116.60	116.75	111.60
Mar	112.70	117.70	117.40	112.70
May	113.30	118.30	118.10	113.60
Jul	114.05	119.05	119.00	114.50
Sep	114.05	119.05	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 15	Nov 14	mnth ago	yr ago
1724.6	1711.9	1722.6	1862.8

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov 14	Nov 13	mnth ago	yr ago
Spot	123.24	123.73	125.49	130.21
Futures	126.92	127.18	128.53	131.97

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	558/4	554/2	560/2	555/0
Jan	570/2	566/4	572/0	568/2
Mar	584/2	580/4	586/0	580/0
May	597/6	594/6	599/4	594/2
Jul	609/2	605/6	611/2	605/6
Aug	612/6	608/6	613/4	609/6
Sep	603/4	601/4	605/4	603/4
Nov	606/0	605/4	609/4	605/2

SOYABEAN OIL 60,000 lbs; cents/lb.

	Close	Previous	High/Low	
Dec	20.41	20.09	20.45	20.15
Jan	20.69	20.35	20.73	20.45
Mar	21.11	20.77	21.15	20.82
May	21.50	21.19	21.52	21.18
Jul	21.77	21.48	21.77	21.46
Aug	21.72	21.30	21.80	21.45
Sep	21.72	21.30	21.70	21.45
Oct	21.75	21.32	21.75	21.45
Dec	21.75	21.30	21.75	21.56

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	170.4	169.8	171.3	169.4
Jan	172.6	172.7	174.0	172.0
Mar	176.4	176.8	178.5	176.2
May	179.0	179.6	180.4	179.0
Jul	181.9	182.9	183.8	181.8
Aug	182.7	183.6	185.0	182.5
Sep	182.5	183.0	184.8	182.5
Oct	181.2	182.5	184.1	181.2
Dec	182.7	184.0	184.5	182.8

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	222/0	224/0	225/0	221/6
Mar	232/0	234/2	234/4	231/4
May	238/4	241/2	241/4	238/2
Jul	244/4	246/6	247/0	244/2
Sep	245/0	245/6	246/4	245/0
Dec	245/4	247/2	247/4	245/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	247/4	255/2	256/0	247/0
Mar	265/0	270/4	271/0	264/4
May	273/0	278/2	279/4	273/0
Jul	279/0	283/2	283/4	278/4
Sep	286/0	290/0	287/4	286/0
Dec	297/4	301/4	300/0	298/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	78.97	78.12	79.05	78.67
Feb	75.97	78.22	76.40	75.70
Apr	75.87	75.90	76.15	75.70
Jun	73.65	73.60	73.85	73.50
Aug	72.00	72.00	72.30	71.85
Oct	72.15	72.07	72.35	72.07
Dec	73.00	73.00	0	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	53.35	53.90	54.70	53.15
Feb	51.62	51.75	53.05	51.30
Apr	48.47	48.75	49.45	48.32
Jun	52.72	52.50	53.05	52.00
Jul	52.77	52.70	53.05	52.45
Aug	50.72	50.85	51.00	50.50
Oct	45.75	45.75	46.80	0
Dec	45.55	45.55	45.65	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	70.12	72.05	73.30	70.05
Mar	69.45	71.37	72.60	69.37
May	69.12	71.05	72.00	69.05
Jul	68.80	70.80	71.35	68.60
Aug	66.05	67.97	68.90	65.97

LONDON STOCK EXCHANGE

Selective buying boosts share prices

ATTENTION turned back to the corporate scene yesterday in a UK stock market still generally cautious in view of uncertainties on both the international and domestic fronts. With sterling still subdued by the political doubts created by the clash over leadership of Britain's Conservative government, and the situation in the Gulf still overshadowing investment decisions, shares traced a somewhat erratic pattern. However, the market closed firmly as Wall Street rallied from a weak opening to the new session.

Domestic worries appeared to abate a little, now that the Conservative leadership battle had officially started and the market can look forward to some early resolution to the situation. Today brings the close of the two-week account in the equity market, and bear closing operations by some traders also helped to brighten the picture yesterday.

Account Dealing Dates		
First Dealings:		
Nov 5	Nov 19	Dec 10
Option Declarations:		
Nov 15	Dec 6	Dec 27
Last Dealings:		
Nov 16	Dec 7	Dec 28
Account Day:		
Nov 26	Dec 17	Jan 7

*New-time dealings may take place from 8.30 am two business days earlier.

After opening cautiously, equities went ahead at mid-morning, led by the FT-SE December futures contract. The Footsie itself put on nearly 17 points before lack of follow-through support trimmed the gain to 7.8. The upset came when Wellcome, whose anti-Aids drug, Retrovir, has made it one of the market's glamour stocks, delivered a significant shock in the shape of disappointing profits. Wellcome was down nearly 17 per cent at the worst moment, but the rest of the market recovered its nerve fairly quickly.

By the close the FT-SE Index was 14 points up on the day at 2,060.0. Seaq volume increased to 434.4m shares from Wednesday's 365.5m, reflecting active but selective interest often related to tax-loss business or to company results.

Institutional liquidity is still very high, perhaps at a total of around £45bn, according to Panmure Gordon, the London brokerage house. The current cloud of uncertainties – the Gulf, the Conservative party leadership, and now the impending year-end, have all discouraged fund managers from equity investment.

Yesterday some funds appeared to be testing out a few specific areas and, with marketmakers' trading books still kept very tight, share prices responded quickly. Among the more favoured stocks were Reed International, Bass and SmithKline Beecham.

The market drew much of its strength from a determined recovery in the insurance sector, which had been badly unsettled earlier this week ahead of the latest trading results from the leading composites. With these results now out of the way, UK financial stocks responded yesterday to the strength of the sector on Wall Street.

Shares in Burton, the high street retailer which has provided one of the stock market's least successful features for some months, turned higher in spite of the cut in dividend and the departure of Sir Ralph Halpern as chairman and chief executive. "It was relief, more than anything else," said one leading retail analyst.

Equities made no response to the latest official data on UK employment and average earnings, and appeared unperturbed by prospects for today's announcement of the retail price index (RPI) for October. The RPI is expected to show an annualised inflation rate of around 10.9 per cent, unchanged from the previous month. Market strategists do not expect inflation to peak just yet, but agree that it must do so before Mr John Major, the UK chancellor of the exchequer, can deliver the bank base rate cut awaited so keenly in the stock market.

FINANCIAL TIMES STOCK INDICES

	Nov 15	Nov 14	Nov 13	Nov 12	Nov 9	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	80.19	80.00	80.35	80.26	80.24	84.12	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.40	88.40	88.48	88.43	88.33	93.54	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1599.6	1583.2	1593.6	1589.7	1582.6	1759.2	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	158.1	161.7	162.3	163.5	168.0	264.6	378.5 (6/2)	158.1 (15/11)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2060.0	2046.0	2056.0	2051.9	2040.6	2209.8	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	955.84	955.48	961.66	960.86	950.16	-	1000.00 (26/10)	948.81 (8/11)	1000.00 (26/10/90)	948.81 (8/11/90)
Ord. Div. Yield	6.01	6.06	6.02	6.04	6.05	4.75				
Earning Yld %(full)	12.54	12.65	12.51	12.54	12.59	11.38				
P/E Ratio(Net)(☆)	9.65	9.57	9.68	9.65	9.63	10.61				
SEAQ Bargns 4.45pm	20,854	18,490	20,201	18,724	17,635	21,962				
Equity Turnover(£m)†	-	632.94	762.40	588.82	733.87	1129.73				
Equity Bargains†	-	17,457	19,165	17,555	18,752	20,716				
Shares Traded (ml)†	-	308.0	385.7	292.8	352.8	384.2				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/8/90. ☆ Nil 9.49

Ordinary Share Index, Hourly changes — Day's High 1602.3 — Day's Low 1586.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1588.9	1588.8	1587.6	1591.7	1600.0	1602.1	1601.7	1597.8	1596.0

FT-SE, Hourly changes — Day's High 2062.8 — Day's Low 2046.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2049.7	2047.9	2048.5	2051.2	2060.4	2062.5	2060.9	2056.3	2055.3

FT-SE Eurotrack 100, hourly changes — Day's High 958.62 — Day's Low 954.41

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
955.42	955.27	956.32	956.85	957.86	958.61	958.54

GILT EDGED ACTIVITY

Indices*	Nov 14	Nov 13
Gilt Edged Bargains	117.2	123.8
5—Day average	123.7	123.1

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Wellcome in sharp setback

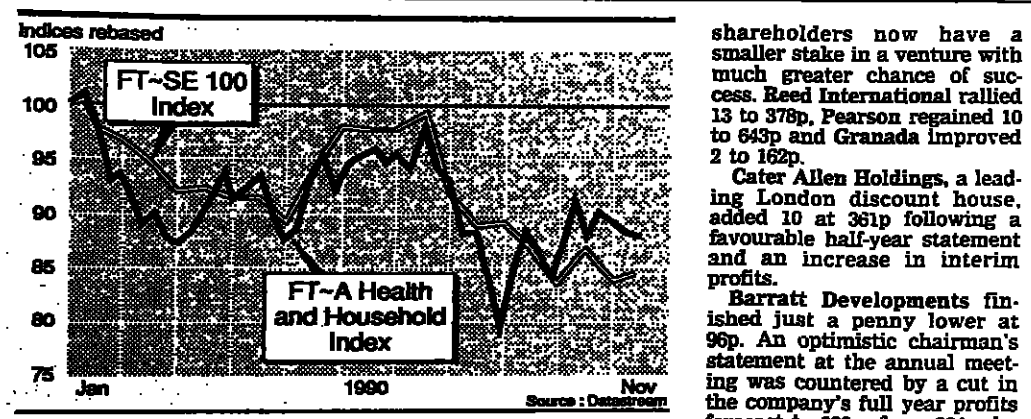
THE PENALTY for failing to justify its rating as a potentially high growth stock was paid by Wellcome yesterday. The shares plunged 67 to 384p on the announcement that profits to August this year have come out nearly 6 per cent below the bottom end of the range of forecasts by UK market analysts.

Mr Ian Moore of UBS Phillips & Drew commented: "Wellcome shares were at a premium of around 60 per cent to the market, and at that rating you just cannot afford to disappoint at all."

The market's reaction to Wellcome's disclosure of pre-tax profits of £315m intensified after the board failed to satisfy City analysts' concerns.

"Profit margins in the second half were about 2 per cent down on the first six months of the year, and no convincing reason was given," said Mr Erlig Refsum at Nomura Research, which marked the shares a sell when they were near the year's peak of £8 and is cutting its forecast for 1991 profits from £395m to £330m. Phillips & Drew is coming down to £335m from £420m.

Wellcome shares would have to fall to 325p to carry the same rating as Glaxo. Yesterday's setback lent credence to worries over the volatility of the stock which has caused some fund managers to refuse to take Wellcome into their portfolios.



The Health and Household group of the FT-Actuaries series, which is dominated by pharmaceutical issues, has not always lived up to its reputation as the prime defensive area at a time of recessionary pressures in the UK. After moving briefly against the market's weaker trend at mid-year, the sector fell sharply as earnings prospects were upset by weakness in the US dollar, a key element in pharmaceutical company profits. More recently, the group has outperformed the rest of the market as UK corporate results have started to show the effects of the economic slowdown. However, disappointing figures from Wellcome cast a shadow yesterday.

Relief for Burton

Some institutional investors started to rebuild their holdings in Burton after the fashion retailer made a large property write-down and announced that Sir Ralph Halpern had stood down as chairman and chief executive. The shares closed 10¼ higher at 78p, the best level since the end of September, on turnover of 27m.

Relief that the uncertainty in the boardroom had been resolved was just one bullish ingredient. The reduction in the final dividend to a level which analysts believe is sustainable, combined with a clearer strategy for the group, also provided encouragement.

Mr Nick Hawkins of Kleinwort Benson said: "No skeletons fell out of the cupboard and this released a lot of pent-up demand." Furthermore, the 38 per cent fall in profits to £133.1m was less severe than many brokers had forecast. Analysts expect profits this year of £90m to £100m.

Little comfort

Courtaulds drew little comfort from a positive pre-interim results assessment by BZW. The figures, the first since the demerger of Courtaulds Textiles, will be reported next Wednesday, and the chemical team at the investment house is looking for increased profits of around £80m, compared with £70.9m. A higher tax rate will hamper earnings per share growth.

BZW believes the process of demerging has focused management thinking at Courtaulds on the strategic development of the business and also puts their achievements under the spotlight. On a small discount to the market, BZW rates the shares attractive. In a moderate trade yesterday, however, they lost 8 to 306p.

A steadier performance from sterling helped the internationals. ICI (855p), gained 5 and the rest of the sector enjoyed similar fortune. The dramatic fall in Wellcome failed to upset other pharmaceuticals; SmithKline Beecham, 9 up at 566p, benefited from switching out of the luckless Wellcome shares.

Racal Electronic firmed 4 to 190p as the market continued to weigh the prospects for the planned break-up operation, while Racal Telecom added 8 at 190p. British Telecom (267p) and Cable and Wireless (429p) closed higher, still responding to the UK government's plans to end the domestic duopoly in telecommunications.

Trafalgar House dropped 9 to 154p, the lowest point for some years, when doubts resurfaced over the final dividend. The group is expected to report its annual results next month. Trading volume was heavier than usual but the figure of 7.7m was swollen by the completion of an overnight tax-related deal involving 3.9m shares.

Maxwell Communication was another Alpha issue to lose ground, closing 8 off at 139p. Market speculation centred on a downgrading by a securities house, although this could not be confirmed, and suggestions that a marketmaker had bought a line of stock overnight and was endeavouring to sell it. Turnover was rather modest at 1.7m shares.

Comment from Kleinwort Benson on the newly merged British Sky Broadcasting helped shares in the three main UK shareholders of former British Satellite Broadcasting. Kleinwort said that the shareholders now have a smaller stake in a venture with much greater chance of success. Reed International rallied 13 to 378p, Pearson regained 10 to 643p and Granada improved 2 to 162p.

Cater Allen Holdings, a leading London discount house, added 10 at 361p following a favourable half-year statement and an increase in interim profits.

Barratt Developments finished just a penny lower at 96p. An optimistic chairman's statement at the annual meeting was countered by a cut in the company's full year profits forecast to £20m from £24m by BZW. Analyst Mark Gibbon said: "The Californian housing market is weakening at a faster rate than previously thought." This was seen as the primary reason behind BZW's decision to reduce the year's dividend total to 7p per share from 9p.

Moderate support found the market short of Bass stock and the price rose 21 to 998p in spite of bearish comment on the US hotel industry. This was made during a presentation yesterday by the French hotel group Accor. The UK brewing major has identified some 2,650 public houses throughout the country that would either be sold or leased during the next two years. Such a deal would meet the Monopolies and Mergers Commission requirements for continuing both its brewing and pub retailing operations.

Hopes of an official decision soon on the proposed swap of public houses with Elders lifted Grand Metropolitan 15 to 571p. Today is the deadline for the Office of Fair Trading to report on the deal to the minister of trade and industry.

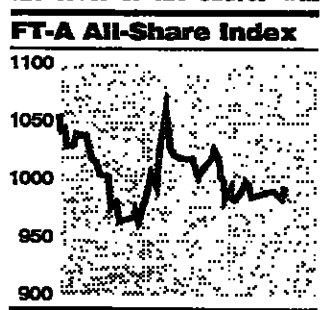
Ratners rose 14 to 185p as the shares recovered from unfounded reports in the previous session that a bearish article had appeared in a US newspaper about its North American operations.

Brent Walker rose 5 to 91p after yesterday's extraordinary general meeting. The market took heart from a statement after the meeting which stressed that the company is still in discussions with its bankers over the necessary amendments to the company's bank facilities.

More serious questions were being asked yesterday about the Eurotunnel rights issue. One report suggested that underwriters of the issue could be left with the bulk of the issue, but this was a perfectly natural assumption in view of the continuing weakness of the nil-paid shares. They slumped to 65p before ending 43 down on the session at 75p premium. The old receded 7 to 313p.

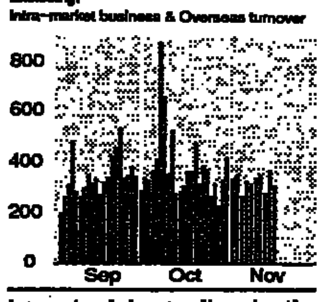
Pharmaceutical wholesaler UniChem, now owned by 4,000 independent chemists, fetched the expected premium in first-time dealings yesterday. The flotation came to the market by the unusual route of a £27m rights issue and introduction. A price was thus not set and the level of the shares was determined by trading in the market. The shares touched 126p before closing at 123p; the new nil-paid shares (100p to pay) moved similarly to close at 23p premium. Analysts have advised long-term investors to buy stock up to 130p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



A warning that profits would be "materially below expectations" pushed Bennett & Fountain down 33 per cent, the shares closing 5 lower at 10p.

Norfolk House turned down after the daily official list revealed a bargain done on Wednesday at a particularly low level. This implied the deal was a selling order of unusual size and marketmakers replied by marking quotations lower. Some appeared long of stock and their efforts to correct book positions accelerated the fall in the shares, finally down 9 at 134p.

Reports of a broking house reducing its profits forecast bore heavily on Halma, which fell 14 to 147p, while fresh profit-taking brought Capita Group back 8 to 159p.

A favourable outlook on composite insurers by some analysts reversed Wednesday's weaker trend. Commercial Union recovered 7 to 462p and General Accident moved ahead 16 to 445p. There are hopes that the proposed increase in household building premiums will help to improve figures for the full year.

Royal Insurance advanced 17 to 390p as figures for the nine months to June showed a pre-tax loss of £91m, much in line with expectations. The company blamed the loss on weather-related claims and a higher incidence of fire losses. But the prospect of a firmer trend in the long term was helped by one investment bank suggesting that there was a chance of renewed bid speculation for the company.

■ Other Market statistics, including the FT-Actuaries share index, Page 28

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	1,300	114	-2	Cookson	375	88	-1	MEPC	53	485	-2	Smith & Nephew	2,300	104½	
ASDA Group	587	128	+1	Courtaulds	978	306	-8	Manpower	420	48		SmKl Beecham	845	566	+9
Abbey National	1,900	214	+6	Dalgety	381	343	+8	Marks & Spencer	1,700	232½	+1½	SmKl Beecham Uts.	215	2475	+40
Allied-Lyons	3,100	474	+2	Dixons	764	141	+4	Maxwell Comms	1,700	139	-8	Smiths Inds.	456	210	+4
Amstrad	2,300	64	+1	ECC Group	248	309	+4	Midland Bank	6,900	191	+3	South West Water	401	235	+3
Anglian Water	1,100	236	+4½	Enterprise Oil	208	614	+2	NatWest Bank	3,400	287	+5	Southern Water	528	208	
Argos	547	249	+1	FKI	1,900	51	+3	Next	1,900	25	-2	Standard Chartd.	307	253	
Argyll Group	2,100	235	-3	Ferranti	4,700	17		North West Water	469	238	+1	Storehouse	1,000	134	+2
Ass. Brit. Foods	83	399		Fisons	1,100	358	+3	Northern Foods	83	343	+1	Sun Alliance	2,000	322	+12
BAA	2,300	375	+6	Gen. Accident	2,100	445	+16	Northumbrian Water	193	240	+9	Sun Life	7	1003	
BAT Inds.	4,000	565	+10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (9).
BRITISH FUNDS (3) INDUSTRIALS (2) Betterware Cons. Prods., Ramco Oil, PAPERS (1) TRUSTS (3).
NEW LOWS (146).
CANADIANS (2) BANKS (2) BREWERS (1) BUILDINGS (4) CHEMICALS (3) STORES (5) ELECTRICALS (8) ENGINEERING (12) FOODS (3) HOTELS (1) INDUSTRIALS (24) Amer. Business Systems, Assoc. British Ports, Blopian, Brooks Service, Brown & Tawse, Cassidy Brothers, Christies Intl., Elan, Electrolux, Esselte, Eurocopy, Excalibur, Handley-Walker, Kitty Litle, Norfolk House, Pacer Systems, Quotient, RKF, Suter, TT, Trafalgar House, UDO, Wellcome, Whitecroft, LEISURE (6) MOTORS (4) NEWSPAPERS (4) PAPERS (8) PROPERTY (4) TEXTILES (1) TRANSPORT (8) TRUSTS (25) OILS (10) PLANTATIONS (1) MINES (13) THIRD MARKET (1).

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

[illegible]

BRITISH FUNDS—Contd

Index—Linked

1990 High	1990 Low	Stock (b)	Price £	+ or -	(1)	(2)
125¾	110¼	Tr. 2pc '92‡‡ (97.8)	125¾	......	2.02	3.84
116⅞	103¼	Do. 2 '94 (102.9)	115¾	......	2.99	3.68
170⅛	150⅝	Do. 2pc '96 (67.9)	170⅛	+⅛	3.18	3.62
136⅝	123½	Do 2½pc '01 (78.3)	136⅞	+¼	3.97	4.23
133	119⅞	Do 2½pc '03 (78.8)	132¾	+¼	4.04	4.26
134¼	122	Do. 2pc '06 (69.5)	133⅞	+¼	4.13	4.31
123⅞	113⅝	Do. 2½pc '09 (78.8)	123⅛	+¼	4.14	4.31
128⅛	117⅛	Do. 2½pc '11 (74.6)	127⅝	+¼	4.13	4.29
107⅛	97⅝	Do. 2½pc '13 (89.2)	105½	+¼	4.10	4.25
115⅝	105⅞	Do. 2½pc '16 (81.6)	113½	+¼	4.07	4.21
113⅞	102¼	Do. 2½pc '20 (83.0)	109⅞	+¼	4.04	4.16
95¼	86⅛	Do. 2½pc '24‡‡ (97.7)	91⅞	+¼	3.97	4.09

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1990: 120.2 and for September 1990: 129.3.

INT. BANK AND O'SEAS

1990 High	1990 Low	Stock	Price £	+ or -	Int.	Red.
100¾	84⅞	African Dv Bk 11¼ Ln 2010	91⅞	-⅛	12.21	12.33
98¼	80⅞	Asian Dev Bk 10¼pc Ln 2009	87⅜	-⅜	11.76	11.99
110⅛	80⅞	Int-Am Dev Bk 12½pc 2003	102⅜	-⅛	12.24	12.14
91¼	76⅛	Do. 9¼pc Ln 2015	82⅜	-⅜	11.87	12.03
110	55	Utd Mexican States 16½pc 2008	109	......	15.14	14.90

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
21⅞	5⅛	Chase Manhattan $12½	5⅝	....	$1.20	-	22.3
19¼	524p	Chem. Banking Corpn.	631p	+34	$1.00	-	8.0
12½	5⅛	Chrysler $6¼	5⅞	+⅛	$1.20	-	10.3
18¼	5⅞	Chicorp $1	7⅛	+⅛	$2.46	-	17.5
40⅞	29⅝	Colgate-Palmolive $1	35¼	-⅛	$1.80	-	2.6
12¼	356p	Cont'l Bank Corp $4	522p	+26	$1.00	-	9.7
268p	54p	Corporate Data Sciences	55p	......			-
22¾	10¾	Dana Corp. $1	11⅞	......	$1.60	-	6.8
768p	190p	Data General	204p	+14			-
29½	18⅝	Dun & Bradstreet $1	20⅛	......	$2.12	-	5.3
37⅛	21	Eaton Corpn. 50c	22⅞	......	$2.20	-	5.0
10⅞	4⅞	Echlin Inc	5⅝	+⅛	70c	-	6.3
22¾	13⅞	FPL Group 1c	14⅛	-⅛	$2.36	-	8.5
29⅛	15	Fluor Corp 62½c	20⅛	+⅛	24c	-	0.6
30¼	13½	Ford Motor $1	15	+⅛	$3.00	-	10.1
41⅞	25¾	Gen. Elect. 63c	28⅛	+⅛	$1.88	-	3.4
441p	205p	General Host Corp $1	223p	+13	32c	-	7.3
35⅞	25¾	Gillette $1	30¼	+⅛	$1.08	-	1.8
315p	31p	Gt American Bank Bk $1	41½p	-3	20c	-	24.4
20⅛	10⅛	Greyhound Dial $1½	11⅛	+⅛	$1.32	-	5.7
12⅝	583p	Hasbro Inc 50c	765p	+39	20c	-	1.3
60⅛	36⅜	Honeywell $1½	46⅛	+⅛	$3.00	-	3.3
21⅞	16	Houston Inds.	17⅞	-⅛	$2.96	-	8.4
74	49⅞	IBM Corpn $1¼	57⅞	+⅛	$4.84	-	4.2
50p	18p	Image Storage/R.Sys.1c	18p	......			-
35½	14⅞	Ingersoll-Rand $2	17⅞	+⅛	$1.32	-	3.7
25½	12½	Lockheed Crpn. $1	16	-⅛	$1.80	-	5.7
11⅛	7⅞	Lone Star Inds $1	7⅞	......	$1.90	-	12.9
28⅝	23⅛	Louisiana Land 15c	23⅞	......	$1.00	-	2.1
29	963p	Lowe's 50c	1077p	+67	52c	-	2.4
22⅞	8⅛	Manuf. Hanover $1	10⅛	+⅛	$3.28	-	16.4
16⅛	8⅞	Merrill Lynch $1	9⅞	-⅛	$1.00	-	5.2
14⅛	8⅞	Molex Inc	11⅛	+⅛	4c	-	0.2
27⅛	16⅛	Morgan (JP) $2½	21⅛	......	$1.82	-	4.4
30½	21⅞	Morris (Philip)	24⅞	+⅛	$1.72	-	2.8
56⅞	34⅞	NYNEX $1	36⅛	+⅛	$4.56	-	6.4
19p	5p	N'wide Legal Serv.	5p	......			-
21⅛	919p	PHH Corp	10⅞	......	$1.20	-	5.6
195p	53p	Pacific Agr.	53p	-12			-
22⅛	13⅛	Pall Corp. 25c	15⅞	+½	56c	-	1.8
55⅛	32⅛	Pennzoil $3 1/3c	34⅛	+⅛	$3.00	-	4.4
35⅞	21⅛	Quaker Oats $5	25⅛	+⅛	$1.56	-	2.8
32⅛	19⅛	Rep NY Corpn $5	23⅛	+½	$1.32	-	2.9
16⅞	10⅞	Rockwell Intl. $1	12⅛	-⅛	86c	-	3.6

[illegible]

CANADIANS

[illegible]

Continued on next page

APPOINTMENTS

New roles at Rolls-Royce

■ ROLLS-ROYCE is making the following changes to board responsibilities and the first major alteration in the company structure since the merger with NEI. From *January 1, Sir Ralph Robins* will become chief executive of Rolls-Royce and will continue as deputy chairman of the company.

Mr S.C. Miller, currently director-engineering, will become managing director, aerospace group, responsible for the total aero engine activities of the group.

Mr T. Harrison will become managing director, industrial power group, which will include NEI, the company's Canadian operations, the nuclear business and the industrial and marine operations of Rolls-Royce, and the subsidiary companies MatEval, Stresswave Technology and Rolls-Royce Business Ventures. He will continue as chairman of NEI and Rolls-Royce Industries Canada Inc.

Lord Tombs will continue as chairman of the board of Rolls-Royce.

■ Mr Simon Carrell and Mr Richard Youngman have been appointed directors of DARTINGTON & CO. CORPORATE FINANCE.

■ LEP GROUP has appointed Mr Mark Kirkman as group director of human resources. He was previously responsible for management and organisation development at CMB Packaging.

■ Mr Bernard Reed has joined ICCH FINANCIAL MARKETS, a subsidiary of International Commodities Clearing House, to head up its Belgian operation, which is responsible for the start up of the new deriviatives market, Belfox.

■ HERON CORPORATION has made Mr John Gotting *(pictured)* its director of human resources. He was previously employed by the Estee Lauder Group where he was personnel director.

■ At SEDGWICK GROUP Mr Julian Crispin will become chairman of Sedgwick Lloyd's Underwriting Agents and Mr Colin Spence managing director from January 1. These appointments have been made as a result of the retirement of the current chairman, Mr John Gordon, on December 31. Mr Gordon will be taking up an appointment as non-executive director of Cater Allen Lloyd's Holdings on January 2.

■ Lord Sharp of Grimsdyke is joining the board of CARLTON COMMUNICATIONS as a non-executive director. He was previously chairman and chief executive of Cable and Wireless.

■ Mr John D. Philipsborn, vice president and director of international relations for The Chase Manhattan Bank, N.A. in London, has been appointed the new chairman of the EUROPEAN COUNCIL OF THE AMERICAN CHAMBERS OF COMMERCE. He succeeds Mr John F. Crawford, who remains on the executive board in an ex officio capacity.

■ Ms Jennifer Laing has been appointed to the board of REMPLOY. She is chairman and chief executive of Laing Henry Hill Holiday.

■ Mr Stephen Adams has been appointed general manager of BTR PERMALI RP in Gloucester. He was previously manager of the laminates division of Permali Gloucester, sister company of BTR Permali RP.

■ Mr J. Moger Woolley has joined the board of STAVELEY INDUSTRIES as a non-executive director. He was formerly chief executive of DRG. Mr Keith A. Battey, chief executive of the mechanical and electrical services group, has also been appointed to the board.

■ TUSKAR RESOURCES, the oil exploration company, has co-opted Mr Ian J. Cooling to the board. He remains a director of Tuskar International, the holding company subsidiary.

■ Mr Doug Rogers has been elected to the board of the EPWIN GROUP as non-executive director. He is chairman of Newman Tonks.

■ The ALEXON GROUP has appointed Ms Sue Thorne to the newly-created post of marketing director of Alexon and Eastex. She joins from Mappin & Webb where she was marketing manager.

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9	ABN Amro Fl5	£9½		Q28%	2.1	8.8	5.3
303	145	ANZ SA1	145	-2	44c	1.4	12.3	5.7
233	173	Abbey National 10p	214	+5	5.7	4.3	3.6	8.7
274	128	Allied Irish Ord	142	+4	Q40%	3.3	6.5	6.3
85	47	Anglo Irish	53		Q18.7%	2.7	7.9	7.6
93	61	Ansbacher (H.) 1p	61		2.5	1.3	5.5	17.6
£71¼	£32¾	Bancaire Cie Fr100	£45¼	+1	Q12½%	–	2.9	–
£22¼	£13¼	Banco Bilbao Viz	£13⅞	-⅛	Q49.1%	2.7	5.8	9.5
286	130	Bank Ireland Ir£1	143	-3	Q14.7%	2.9	9.4	4.9
£19½	£18	Bank Leumi	£19½			–	–	–
351	320	Bank Leumi (U.K.)	350		15.0	–	5.7	–
129½	100	Bank Scotland	106	+1½	4.55	3.4	5.7	6.8
100¼	83¼	Do 9¼pc Irrd Pf	95	+½	9¼%	–	13.0	–
54	39	Bank of Wales	42		2.8	0.6	8.9	20.2
428	290	Barclays £1	349	-3	19.57	3.5	7.5	4.6
22	10	Benchmark 20p	10		0.75	–	10.0	–
335	238	Brown Shipley £1	245		12.0	2.2	6.5	7.9
435	285	Cater Allen £1	361	+10	F24.5	–	9.3	–
179	29	Chancery	37		9.0	2.7	–	1.5
£23¾	£14	Commerzbk DM10	£14¾	+⅛	Q18%	–	4.3	–
£13¼	620	Dai Ichi KBk Y50	700	+12	Q17%	6.2	0.5	33.0
£313	£189½	Deutsche Bk DM50	£201½	+4	Q28%	–	2.3	–
£20¾	£14¾	Espirito Santo	£15¾		Q75c	5.1	2.4	8.0
253	166	First Nat. Fin. 10p	178		13.0	2.1	9.7	6.1
121	82	FNFC 6.3pc Cv Pf	89	-1	6.3%	–	9.4	–
£13¼	633	Fuji Bank Y50	828		Q17%	6.9	0.4	35.1
325	262	Gerrard & National	288	+1	19.0	–	8.8	–
154	85	Guinness Mahon 10p	85	-1	2.1	–	3.3	–
328	194	Hambros 20p	221	+1	11.5	–	6.9	–
128	88	Do. 7 5pc Cv Pf	94	+1	7½%	–	10.6	–
53½	29	HK & Shang. HK$2.50	29	-1	hQ38c	–	8.8	–
478	373	Joseph (Leo) £1	373		15.85	–	5.7	–
150	105	King & Shaxson 20p	118		10.25	–	11.6	–
422	262	Kleinwort Benson Grp	273	+3	16.0	2.5	7.8	6.5
642	316	Kyowa Bank Y50	388	-7	Q14%	♦	0.8	♦
316	220	Lloyds £1	276	+6	13.3	2.6	6.4	6.5
56	44	Lon. Scot. Bank 10p	48		2.4	1.9	6.7	9.5
404	176	Midland £1	191	+3	18.0	2.6	12.6	4.0
£14½	£10¾	Mitsubishi Bank Y50	£10¾		Q17%	♦	0.3	♦
£12¼	£4¼	Mitsubishi Tr & Bk Y50	£5¼	-⅛	Q17%	12.4	0.6	13.7
£10⅝	£4⅞	Mitsui Taiyo Kobe Y50	£6⅛	-⅛	Q16%	6.0	0.5	33.7
904	410	Mitsui Tst & Bk Y50	504	+5	Q17%	♦	0.7	♦
326	220	Nat Aust. Bk. A$1	231	-1	Q55c	♦	10.1	♦
368	227	NatWest £1	267	+5	16.7	3.3	8.3	4.9
£210	£115	Ottoman Bank	£115		Q110%	2.8	9.6	3.7
55	26	Rea Bros. Group	28	-1	0.5	3.2	2.4	14.0
227	119	Royal Bk. Scotland	148	+2	7.2	3.8	6.5	5.2
795	338	Saitama Bank Y50	379	-14	Q14%	♦	0.7	♦
£12¼	567	Sanwa Bank Y50	708	+16	Q17%	6.7	0.5	31.0
902½	613	Schroders £1	688	-5	h12.5	5.9	2.4	9.3
712½	413	Do £1 N/V	473		h12.5	5.9	3.5	6.4
£25¼	£9⅛	Sec. Pacific $10	£11⅛	+⅛	Q$2.52	–	10.8	–
616	235	Standard Chartd. £1	253		35.0	1.4	18.4	(4.7)
£16⅛	£5¾	Sumitomo Bank Y50	£6¼	-⅛	Q16%	7.5	0.5	28.0
£11	£4¾	Sumitomo Tr & Bk Y50	£5⅛		Q17%	6.9	0.6	25.0
147	114	TSB	129½	+2½	5.8	2.5	6.0	8.4
175	120	TSB Bank Ch'nel Is I	128		6.7	3.5	5.6	6.0
£46¾	£4¼	Tokai Bank Y50	£5⅛	+⅛	Q16%	4.1	0.8	36.2
920	484	Toyo Tst & Bk Y50	629	-10	Q15.2%	6.9	0.5	28.1
611	499	Union Discount £1	561		33.0	–	7.8	–
525	286	Warburg (S.G.)	288	-1	15.0	3.0	7.1	6.4
180	98	Do 6pc Cnv Prf	99		6%	–	8.1	–
279	147	Westpac SA1	155		Q52.5c	♦	14.6	♦
420	303	Wintrust 20p	303	-2	7.8	4.2	3.4	8.4
969	509	Yasuda Tst & Bk. Y50	615	-5	Q17%	♦	0.6	♦

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
175	40	CLF Yeoman 50p	50		Q18.5%	3.3	17.5	2.4
71	49	Cambridge Grp Ir5p	51	+2	Q7½%	15.6	0.6	12.4
55	11	Capital Leasing Ir10p	37	+1	[illegible]	3.5	2.8	9.1
68	50	Cattle's (Hdgs) 10p	60		3.56	1.9	7.9	8.6
426	362	Prov. Financial	394		20.5	2.1	6.9	9.1
232	134	Reflex Invs. Ir5p	139	-4	Q51%	7.9	1.7	10.3
225	192	Secure Trust Grp. 1p	197		8.5	2.6	5.8	8.3
210	135	Woodchester IR20p	168		Q16.7%	5.9	1.8	12.5

BEERS, WINES & SPIRITS

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
520	408	Allied-Lyons	474	+2	16.95	2.2	4.8	10.9
£26⅜	£18⅞	Anheuser-Busch $1	£20⅞	-⅛	Q$1.00	–	2.5	–
1178	895	Bass	998	+21	28.2	3.5	3.8	9.9
170	130	Boddington	131		5.1	2.3	5.2	11.0
206	161	Bulmer (H.P.) 5p	194	-2	7.65	1.6	5.3	14.6
227	135	Burtonwood Brewery	137		3.95	3.1	3.9	9.9
400	290	Clark (Matthew)	338	-1	13.5	2.7	5.3	9.2
286	115	Devenish (J.A.) 5p	120		4.65	3.1	5.2	7.4
225	85	Do 4.5pc Cv 2ndPf	90		4½%	–	6.7	–
167	102	Eldridge Pope "A" 50p	102		4.1	2.3	5.4	9.7
430	335	Fuller S.T.A. "A" £1	402	+2	5.5	4.1	1.8	17.8
681	514	Grand Metrop. 50p	571	+15	17.75	2.8	4.1	9.9

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0898 43 + four digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

MOTORS, AIRCRAFT TRADES — Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY — Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST — Contd

[illegible]

INVESTMENT TRUST — Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

For York Trust see Babcock Prebon

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES — Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
◆ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Not officially listed.
# Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
✣ Not comparable
◆ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 γ	700	.....
Finlay Pkg. 5p γ	38	.....
Holt (Jos) 25p γ	1305	.....

IRISH

Cap. 8½% Ln. 1991	£98¼	.....
9pc Cap Ln 1996	£93¼	.....
Fin. 13% 97/02	£118½	.....
Arnotts	170	.....
Carroll (P.J.)	154	.....
Helton Hldgs γ	51	.....
IRG	153¼	.....
United Drug	135	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	45
BOC Grp	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	10½
Brit. Telecom	22
Cadburys	26
Charter Cons	37
Comm Union	37
Courtaulds	25
Eurotunnel	40
FKI	5¼
FNFC	20
Gen Accident	37
GEC	14
Glaxo	57
Grand Met.	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd	39
ICI	70
Ladbroke	22
Legal & Gen	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds	11
Marks & Spencer	18
Midland Bk	20
Nat West Bk	18
P & O Dfd	42
Racal Elect	14
RHM	23
Rank Org Ord	49
Reed Intal	30
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	19
Wellcome	38

Property

Brit. Land	24
Control Secs	3½
Land Securities	42
MEPC	38
Mountleigh	11

Oils

Aviva Petlm	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm	20
Gaelic Res	2
Premier	8½
Shell	40
Tuskar Res	6
Ultramar	31

Mines

Lonrho	21
RTZ	40

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct 0836 4 — five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0898 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

Target Trust Mngrs Ltd (1600)F
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 0296 31215

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	58.37	58.37	62.32	+0.63	1.24
Australia	5	5.281	5.281	5.683	-0.01	4.72
Equity	5	136.8	136.8	146.9	+0.4	5.24
Euro Spec Sits	5	97.16	97.16	104.4	-0.6	0.66
Financial	5	24.09	24.23	26.06	+0.22	5.72
Global Opps Inc	5	56.23	56.29xd	60.43	-0.02	5.72
Global Opps Acc	5	57.45	57.45	61.74	-0.02	0.00
Gold & Gen Inc	5	34.12	34.12xd	36.70	-0.22	0.00
Gold & Gen Acc	5	63.79	63.79	68.61	-0.42	1.09
Income	5	85.79	85.79	92.25	+0.44	1.09
Japan & General	5	109.4	109.4	117.6	-1.2	6.94
Preference Share	5	17.31	17.31xd	18.61	+0.03	0.00
UK Capital	5	75.21	75.21	80.77	+0.39	14.26
World Income	5	52.07	52.07xd	55.94	+0.03	4.32
Worldwide Capital	5	143.6	143.6	154.4	+0.4	5.94

Templeton Unit Trust Managers Ltd (1200)F
Atholl Crescent, Edinburgh EH3 8HA 031 228 3932

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global Growth Acc	6	91.53	92.00	98.40	+0.7	3.63
Global Growth Inc	6	87.79	88.40	94.54	+0.67	3.63
Global Balanced Acc	6	92.76	93.17	99.65	+0.5	4.82
Global Balanced Inc	6	86.42	86.80	92.84	+0.47	4.82
Value Tst Acc	6½	66.62	67.61	72.31	+0.52	4.75
Value Tst Inc	6½	64.96	65.92	70.50	+0.5	4.75
Int Fxd & Cr'be Inc ♦	3	85.18	86.46	90.78	—	4.00
Int Fxd & Cr'be Acc ♦	3	82.20	83.44	87.60	—	4.00

Thornhill Unit Trust Managers Ltd (1200)F
28 St John's Sq, London EC1M 4AE 071-251 6767

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Capital	5	44.76	45.04	47.91	—	—
Overseas	5	39.57	39.71	42.24	—	—

Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq., London W1M 0DH 071-493 7262
Dealing 071-495 8545

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Opps	5	41.63	41.63	44.39	+0.20	0.25
(Accum Units)	5	42.84	42.84	45.69	+0.20	0.25
Cash	0	51.04	51.04	51.04	+0.03	14.00
Accum Units	0	51.04	51.04	51.04	+0.03	14.00
European Opps ♦	5	56.18	56.18	59.86	-0.41	0.00
(Accum Units) ♦	5	56.49	56.49	60.19	-0.41	0.00

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Expt Nov 13	37.2	38.6	—	2.81
Euro Expt Nov 13	47.9	50.2	—	2.55
Fixed Int Ex Nov 13	44.1	45.2	—	10.54
Japan Expt Nov 13	40.4	42.1	—	0.87
Managed Ex Nov 14	36.5	37.9xd	—	3.48
SE Asia Expt Nov 13	54.3	56.9xd	—	4.79
Sm Cos Expt Nov 13	28.0	29.4xd	—	5.23
UK Eqty Ex Nov 13	35.2	36.9	—	5.46

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Nov 6	589.8	652.5xd	—	5.89
Do Accum	636.0	703.2	—	5.89
Int Expt Nov 7	144.5	146.5	+0.7	4.7
UK Index Nov 6	960.6	982.0	—	6.06
Do Accum	2016	1037	—	6.06
Convertible Nov 12	77.13	79.77	—	10.10
World ex UK Index Nov 12	632.9	641.4	—	2.16
Do Accum	639.19	647.71	—	2.16
Japan Index Nov 12	506.10	513.50	—	0.55
Do Accum	507.1	514.4	—	0.55
USA Index Nov 12	735.5	740.2	—	3.53
Do Accum	745.9	750.5	—	3.53
Europe ex UK Index Nov 12	782.8	802.1	—	3.13
Do Accum	795.0	814.5	—	3.13
Pacific ex Jap Index Nov 12	709.1	729.7	—	5.52
Do Accum	722.5	743.4	—	5.52
Managed Exempt Nov 11	88.1	89.74	+0.42	5.58
American Exempt Nov 14	98.97	100.5	+4.95	4.54
European Exempt Nov 14	101.5	102.8	+2.4	5.00
Japan Exempt Nov 14	102.1	103.3	-0.6	2.01
Pacific Basin Nov 7	96.46	98.76	+1.2	3.05

NM Rothschild Asset Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
NC Managed	51.3	54.6xd	+0.1	4.34
NC Property	174.3	191.2	—	—

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt Accum	118.3	119.2xd	—	4.21

Stewart Ivory & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Select PPP Oct 12	224.9	236.0	—	—

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 ... (listed below). Calls charged at 44p per minute peak and 33p off peak ...

National Provident Institution

48 Gracechurch St, London EC3P 3HN 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	300 8	316 7	+1 1	-
UK Equity	374 5	394 3	+2.2	-
Overseas Eq	286 9	302.1	+1 2	-
America	212.8	224 0	+2.5	-
Far East	299 0	314 8	-1.3	-
Property	192.3	202.5	+0 5	-
Fixed Int.	232 7	245 0	-0.3	-
Indexed Gilt	147 0	154 8	-0.3	-
Deposit	172 3	181 4		-
Pension Fund (Accum Units)				
Managed	415.7	437.6	+1 6	-
UK Equity	475.9	501.0	+2.9	-
Overseas Eq	471.3	496 2	+1.0	-
Americas	279 7	294.5	+2.5	-
Far East	497 7	523 9	-1.9	-
Property	238 9	251 5	+0 8	-
Fixed Int.	282 9	297.8	-0 2	-
Indexed Gilt	161 6	170 2	-0.3	-
Deposit	237 1	249 6	+0 1	-
NPI Pensions Management Ltd				
Managed Fund	928.8	945 4		-

Prices Nov 1 Next dealing Dec 3

Norwich Union Asset Management Ltd

PO Box 140, Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	60.5	63 7	+0.3	-
Stock Market Mngd Fund	56 8	59 8	+0 3	-
Equity Fund	64.5	67 9	+0 5	-
International Fund	50 4	53 1	+0.2	-
European Fund	61 3	64 5	-0.1	-
North American Fund	48.6	51 2	+0.3	-
Pacific Fund	50 3	52 9	-0 3	-
Property Fund	86 7	91 3	+0 1	-
Fixed Interest Fund	52 7	55 4		-
Index linked Sec Fund	59 7	62 8	-0 1	-
Deposit Fund	66 1	69 6		-
NUAM Retirement Plans				
Mixed Fund	65 7	69 2	+0.3	-
UK Ordinary Share Fd	74 4	78 4	+0 6	-
International Fund	54 9	57 8	+0.2	-
Property Fund	84 0	88 4		-
Fixed Interest Fund	62 9	66.2		-
Index Linked Sec Fund	63 1	66 4	-0 1	-
Deposit Fund	76 8	80 9	+0 1	-
NUAM (MF)				
Managed Fund	858.0	903 2	+3 6	-
Equity Fund	1782 0	1875 8	+11.3	-
International Fund	133.1	140 2	+0.5	-

Providence Capital Life Assc. Co Ltd Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Total Investment Bond				
UK Equity Initial	128.6		+0.6	
UK Fixed Int Initial	107.5			
Intl Equities Initial	101.5		-0 5	
UK Managed Initial	104 2		+0 2	
Property Initial	164.3		.	
Money Initial	84 4		...	
Special Market Initial	93 1			
Japan Equity Initial	71.7		-1.2	
North American Initial	63 0		+0.3	
Pacific Initial	58.3		-0 4	
Technology Initial	83 5		+0 1	
Nat Resources Initial	41.6		-0.4	
European Initial	82.0		.	
Residential Prop Init.	93 8			
Swiss Equities Initial	30 0		-0.1	
Hong Kong Initial	43.5		-0.2	
UK High Inc Eq Init	57 9		+0.2	
Int Fixed Interest Init.	49 6		+0.1	
Int Managed Init.	48 9		-0 2	
HIP Managed Init.	94 5		+0 1	
HIP Managed II Initial	84 0		-0 1	
Broker Funds				
High Performance	61 0	64.3	+0 1	
Towerhill Mngd Fd Acc	31 6	33.3	-0.5	
YRA Executive Fd	82 1	86 6	-0 4	
E Global Growth Acc	109 4	115 4	-0 5	
C High Income Mgny Acc	132.8	140 0	.	
IM Balanced	45 8		-0 1	
H F Speculator Fd	113.5		+0 1	
PEP Acorn II	102.4		-0.2	
PEP Cautionary	66 9			
AAFS Int Man Fund	107 0		-0 5	
Andrews-Green Inv Port.	74 7		-0 2	
Individual Pension Funds				
UK Equity Acc	203.0	214.2	+1.0	
UK Fixed Interest Acc.	195.5	206.3	+0.3	
Intl Equities Acc.	189 5	199 9	-1 4	
UK Managed Acc.	163 9	172 8	+0.3	
Property Acc.	209 4	220 9		
Money Acc.	150 6	158 9	+0.1	
Special Market Acc.	187 6	197 9	+0 1	
Japan Equity Acc.	145 5	153 5	-2.6	
North American Acc.	99 2	104 7	+0.5	
Pacific Acc	139 7	147 4	-1 0	
Technology Acc.	134 9	142.4	+0.2	
Natural Resources Acc.	81.3	85 8	-1.1	
European Acc.	104 2	110 0	..	
Residential Prop Acc.	103 9	109 6	.	
Swiss Equities Acc.	31 2	33 0	-0 1	

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Prosperity Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd - Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd - Contd.

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group-Contd.

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Target Life Assurance Co Ltd

TSB Life Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Westgate Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AEtna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

Bryan Walls & Partners Ltd

Chase de Vere PLC

Clerical Medical Intl Ltd

Eagle Star Intl Financial Services

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Fisco International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

MEL Britannia International Ltd

NM Life Assurance Int'l Ltd

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

The Analysis Group PLC

Cameron Law & Company Ltd

Gartmore Fund Managers Ltd

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

L.P.S. Lamont plc

Macartney & Dowie F.S. Ltd

Northam Bings & Partners

PBR Fund Management Ltd

Pendleton May Financial Services Ltd

Policy & Co PLC

Rutland Inv Mng & Inv Grp

Sharp (Albert E.) & Co.

Siltaia Fund Managers Limited

South Yorks Investment Management

Tattersall Investment Mngt. Ltd

Towry Law & Co

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

GUERNSEY (SIB RECOGNISED)

Adams & Neville Fd Mngmt (Guernsey) Ltd

Barclays Intl Fd Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mngrs (CI) Ltd

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Schroder Mngmt Services (Guernsey) Ltd

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Barings Intl Fund Managers Guernsey Ltd

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

	Bid Price	Offer Price	+ or -	Yield Gross
Dantrust Management (Guernsey) Ltd				
Dantrust Limited	DKr116.1	116.3	--	-
Fipart-Conseil Fund Mngrs (Guernsey) Ltd				
Hauteville G & B Fd	SFr7.76	7.80	....	2.26
John Govett Mngmnt International Ltd				
Govett High Inc Gilt	£0.3499	0.3727	-0.005	13.15
Govett Far East Inv	$0.891	0.952	...	-
Energy & Resources	$0.669	0.715	...	-
Hambros Fund Managers (CI) Ltd				
Japanese OTC	$8.9370	9.5125	-0.2403	-
Havelet Throgmorton Mngmt Ltd				
Intl Inv-Stlg High Inc	£9.974	10.528	...	10.09
Intl Inv-Intl High Inc	$48.988	51.572	...	5.54
Henderson Admin. (Guernsey)				
Prime Res Portfolio	£0.908	-		-
Balanced Gwth $ Prtflo	$1.822	1.967	(z)	-
Balanced Gwth £ Prtflo	£1.041	1.118	(z)	-
Select Mkts $ Prtflo	$1.845	1.995	(z)	-
Inc & Gwth $ Prtflo	$1.682	1.779	(z)	-
High Income £ Prtflo	£0.600	0.630	(z)	-
Hill Samuel Fd. Mngrs. (Guernsey) Ltd				
Guernsey Tst	62.79	67.15	+0.34	2.98
Kleinwort Benson Intl Fd Mngrs Ltd				
KB Int Ac Bd Acc*	£8.608	9.066	-	-
KB Japan Fund		$205.85		-
KB Sterling Asset	£29.37	29.37	....	-
*Offer price inclusive of maximum preliminary charge				
Kleinwort Benson Islamic Fd Mgmt Ltd				
Islamic Fund	$5.75	6.15	-	0.40
Lazard Fund Managers (CI) Ltd				
Lazard Cap Gwth Bond	$2845.06	2998.58	....	7.9
Lazard Cur Acc Fd £	£18.74	18.75	....	13.6
Lazard Cur Acc Fd US$	$14.66	14.67	.	7.1
Lazard Cur Acc Fd Y	Y3,810	3,820	.....	6.9
Lazard Cur Acc Fd DM	DM51.40	51.41	.	7.3
Lazard Cur Acc Fd SF	SFr37.09	37.10	.	7.1
Lazard Cur Acc Fd FF	FFr158.29	158.30	.	8.75
Lazard Cur Acc Fd Mxd	$15.64	16.43	...	-
Lazard D'fied Bnd (Inc)	$19.34	20.39	-	8.6
Lazard D'fied Bnd (Acc)	$24.82	26.16	..	-
Lazard European Fund	$45.83	48.56		1.0
Lazard Far East	$51.28	54.58	-1.16	-
Lazard Global Equity	$25.71	27.35	+0.16	-
Lazard Int Inc $ (Inc)	$1009.42	1064.13		7.789
Lazard Int $ Inc (Acc)	$2350.60	2477.99		-
Lazard Int Inc £ (Inc)	£8.95	9.44	....	10.863
Lazard Int Inc £ (Acc)	£11.95	12.60	.	-

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -
Capital House Fund Mgrs—Contd.					
Bonds					
Sterling Bond	5	£1.381	1.381	1.456	-0.004
International Bond	5	$1.833	1.833	1.934	..
Currencies					
£ Sterling	0	£24.78	24.78		+0.01
US$	0	$18.89	18.89		.
Japanese Yen	0	Y3,600	3,600		
D Marks	0	[illegible]	58.06		+0.02
Swiss Francs	0	[illegible]	51.05		+0.02
Fr Francs	0	[illegible]	228.1		+0.1
Ecu's	0	[illegible]	27.13		+0.01
Managed					
Intl Portfolio	5	$1.640	1.656	1.758	-0.003
Managed Currency	5	$2.093	2.093	2.204	-0.003
Gartmore Fund Managers International					
PO Box 278, 45 La Motte St., Jersey					
Capital Strategy Fund Ltd (z)					
American Fd		$-	1.415		-0.003
Canadian Fd		C$-	0.7772		-0.0029
British Fund		£-	2.222		-0.004
European Fund		DM-	5.202		-0.005
Eastern European		DM-	4.424		-0.001
Asia Pacific Fd		$-	1.908		-0.008
Japan Fund		Y-	588.8		-3.3
Australasian Fd		A$-	0.3055		
Global Resources		$-	0.7389		
Emerging Mkts Fd		£-	.9735		
Int Growth Fund		$-	2.737		-0.001
Sterling Bond Fd		£-	1.013		-0.004
ECU Bond Fund		Ecu-	0.9636		
Int. Bond Fund		$-	1.267		-0.001
Global Conv Bd Fd		$-	17.46		.
US$ Deposit Fd		$-	1.051		.
Sterling Deposit Fd		£-	1.031		.
French Franc Dep Fd		FFr-	10.66		-0.01
Swiss Fr Dep		SFr-	5.273		....
DM Deposit Fd		DM-	5.251		-0.002
Yen Deposit Fd		Y-	523.2		..
Aust Dlr Deposit Fd		A$-	1.096		...
John Govett (Channel Islands) Ltd (1000F					
PO Box 443, St. Helier, Jersey					
Govett Flexifund Ltd					
Global Equity	5½	$9.07	9.07	9.15	-0.03
Global Bond	5½	$10.15	10.15	10.19	+0.03
Global Currency	5½	$10.15	10.15	10.15	+0.03
Global Balanced	5½	$9.45	9.45	9.53	-0.04
Dollar Cash	5	$9.27	9.27	9.30	....
European Bond	5	[illegible]	12.50	12.55	.
Dollar Bond	5	$9.46	9.46	9.50	+0.04
Government Bond	5	$9.80	9.80	9.84	.
Sterling Cash	5	£4.90	4.90	4.92	+0.01

JERSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

هكذا من الاصل

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound improve

A WEAKENING of the D-Mark against the Japanese yen provided some support for the dollar and sterling yesterday. The German currency fell to Y87.55 from Y88.05 at the London close, reflecting the unwinding of long D-Mark positions after the Bundesbank left credit policies unchanged at yesterday's council meeting.

The dollar finished firmer against most currencies, despite speculation about lower US interest rates. It remained unclear whether the Federal Reserve has eased its monetary stance. Liquidity was added to the New York banking system, via overnight system repurchase agreements, but Fed funds were trading at 7⅞ per cent at the time, well above the assumed target rate of 7¼ per cent.

Dealers noted that although the US currency has been set at record lows against the D-Mark in Frankfurt on each trading day this week, there are signs that it may be finding a base. At yesterday's fixing the dollar fell to a record low of DM1.4753 from DM1.4776, but the Bundesbank did not intervene, and the currency rallied to close in London at DM1.4765 against DM1.4715 on Wednesday.

At the London close the dollar also rose to SFr1.2515 from SFr1.2460 and to FFr4.9850 from FFr4.9625, but fell to Y129.25 from Y129.60. Its index climbed to 60.2 from 60.1.

Sterling remained anchored to the bottom the the European Monetary System exchange rate mechanism, but was under no strong pressure, despite nervousness about the UK political situation and further signs of a weakening British economy. A climb of 32,200 in October UK unemployment was above forecasts of around 25,000, and the biggest monthly rise for four years. The rise of 10.25 per cent in September average earnings was in line with expectations, and the news had no impact.

The pound rose to DM2.8950 from DM2.8875, to FFr9.7700 from FFr9.7350 and to SFr2.4525 from SFr2.4450, but fell to $1.9600 from $1.9615 and to Y253.25 from Y254.25. Sterling's index closed unchanged at 93.7.

Expectations that opposition parties will attempt to topple the French government of Mr Michel Rocard, with a vote of no confidence on Monday, put pressure on the franc. The D-Mark rose to DM3.3739 from DM3.3700 at the Paris fixing and closed in London at FFr3.3760.

In Madrid the governor of the Bank of Spain denied rumours that the peseta will join the narrow 2¼ per cent band of currencies within the EMS. The Spanish currency - which like sterling is allowed a 6 per cent movement - remained strong at the top of the system.

In Brussels the governor of the Belgian National Bank said that in the new year the Belgian franc will be tied more closely to the D-Mark than the present 2¼ margin allowed within the EMS.

£ IN NEW YORK

Nov 15	Latest	Previous Close
£ Spot	1.9590-1.9600	1.9600-1.9610
1 month	0.99-0.97pm	1.04-1.03pm
3 months	2.69-2.67pm	2.86-2.83pm
12 months	8.17-8.12pm	8.40-8.30pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.15	Previous
8.30 am	93.5	93.7
9.00 am	93.6	93.7
10.00 am	93.6	93.8
11.00 am	93.7	93.7
Noon	93.7	93.9
1.00 pm	93.7	93.9
2.00 pm	93.7	93.7
3.00 pm	93.7	93.6
4.00 pm	93.7	93.7

CURRENCY MOVEMENTS

Nov.15	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.7	-18.8
US Dollar	60.2	-19.0
Canadian Dollar	100.9	-0.7
Austrian Schilling	110.6	+12.5
Belgian Franc	112.4	-1.5
Danish Krone	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French Franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for Nov 14.

CURRENCY RATES

[illegible]

OTHER CURRENCIES

Nov.15	£	$
[illegible]	10481.5 - 10503.85	5345.00 - 5355.00
[illegible]	2.5430 - 2.5450	1.2970 - 1.2980
[illegible]	231.005 - 232.635	117.80 - 118.60
[illegible]	6.9630 - 6.9665	3.5490 - 3.5520
Greece	294.05 - 298.75	150.15 - 152.55
[illegible]	15.2735 - 15.2840	7.7920 - 7.7940
[illegible]	125.50*	63.55*
[illegible]	1387.55 - 1409.90	711.20 - 716.80
[illegible]	N/A	N/A
[illegible]	59.65 - 59.75	30.40 - 30.50
[illegible]	5.2775 - 5.2800	2.6935 - 2.6955
[illegible]	5745.05 - 5757.95	2935.00 - 2945.00
[illegible]	3.2140 - 3.2190	1.6380 - 1.6410
[illegible]	7.3405 - 7.3705	3.7490 - 3.7510
[illegible]	3.3495 - 3.3560	1.7095 - 1.7115
[illegible]	4.9430 - 4.9555	2.5260 - 2.5275
[illegible]	6.7120 - 6.8295	3.4295 - 3.4845
[illegible]	53.40 - 53.50	27.25 - 27.30
U.A.E.	7.1960 - 7.2195	3.6720 - 3.6740

*Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 15	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.512	-2.33	3.97	41
Irish Punt	0.767417	0.764109	-0.43	1.98	20
D-Mark	2.05586	2.04779	-0.39	1.95	26
Belgian Franc	42.4032	42.2669	-0.32	1.87	16
Dutch Guilder	2.31643	2.30987	-0.28	1.83	15
French Franc	6.89509	6.90852	0.19	1.36	-10
Danish Krone	7.84195	7.86929	0.35	1.19	-15
Italian Lira	1538.24	1543.82	0.36	1.18	-17
Sterling	0.696904	0.707673	1.55	0.00	-29

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Nov 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9585 - 1.9615	1.9595 - 1.9605	0.99-0.97cpm	6.00	2.71-2.68pm	5.50
Canada	2.2750 - 2.2815	2.2785 - 2.2795	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.84-4.79cpm. 12 Month 8.22-8.12cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9585 - 1.9615	1.9595 - 1.9605	0.99-0.97cpm	6.00	2.71-2.68pm	5.50
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Nov 15	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅛ - 13⅞	14¼ - 14	14⅛ - 14⅛	13⅞ - 13⅞	13½ - 13¼	12⅞ - 12⅞
US Dollar	7⅞ - 7⅞	7⅞ - 7⅞	7⅞ - 7⅞	8⅛ - 7⅞	8 - 7⅞	8 - 7⅞
Can. Dollar	12⅛ - 12⅛	12⅛ - 12⅛	12⅛ - 12⅛	12⅛ - 11⅞	11⅞ - 11⅞	11⅝ - 11½
Dutch Guilder	8½ - 8⅛	8⅞ - 8⅞	8½ - 8⅜	8⅞ - 8⅞	8⅝ - 8½	9 - 8⅞
Swiss Franc	8⅛ - 8	8⅛ - 8	8⅜ - 8¼	8⅞ - 8⅞	8⅝ - 8½	8½ - 8⅜
D-Mark	8¼ - 8⅛	8¼ - 8⅛	8⅝ - 8½	8⅞ - 8⅞	9⅛ - 9	9⅛ - 9⅛
French Franc	9⅞ - 9⅞	9⅝ - 9½	9⅞ - 9⅞	10⅛ - 9⅞	10⅛ - 10⅛	10⅛ - 10⅛
Italian Lira	13 - 11	13 - 12	12⅛ - 11⅞	11⅞ - 11⅝	11⅝ - 11⅝	11⅝ - 11½
Belgian Franc	8½ - 8⅛	8⅞ - 8⅞	9 - 8⅞	9⅛ - 9	9½ - 9¼	9⅞ - 9⅞
Yen	7⅞ - 7⅞	8⅛ - 8	8⅛ - 8⅛	8½ - 8¼	8⅞ - 8⅞	8½ - 8⅜
Danish Krone	9⅝ - 9½	9⅝ - 9½	10⅛ - 10	10½ - 10⅛	10⅝ - 10½	10⅝ - 10½
Asian $Sing.	8⅛ - 7⅞	7⅞ - 7⅞	7⅞ - 7⅞	8⅛ - 7⅞	8 - 7⅞	8 - 7⅞

Long term Eurodollars: two years 8⅛-8¼ per cent; three years 8⅞-8⅞ per cent; four years 8⅝-8½ per cent; five years 8⅝-8¾ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov.15	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.960	2.895	253.3	9.770	2.453	3.263	2184	2.279	59.70
$	0.510	1	1.477	129.2	4.985	1.252	1.665	1114	1.163	30.46
DM	0.345	0.677	1	87.50	3.375	0.847	1.127	754.4	0.787	20.62
YEN	3.948	7.738	11.43	1000.	38.57	9.684	12.88	8622	8.997	235.7
F Fr.	1.024	2.006	2.963	259.3	10	2.511	3.340	2235	2.333	61.11
S Fr.	0.408	0.799	1.180	103.3	3.983	1	1.330	890.3	0.929	24.34
H Fl.	0.306	0.601	0.887	77.63	2.994	0.752	1	669.3	0.698	18.30
Lira	0.458	0.897	1.326	116.0	4.473	1.123	1.494	1000.	1.043	27.34
C $	0.439	0.860	1.270	111.1	4.287	1.076	1.432	958.3	1	26.20
B Fr.	1.675	3.283	4.849	424.3	16.37	4.109	5.466	3658	3.817	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
November	1600.0	1611.0	+5.0	1616.0	1599.0	7,837
December	1607.0	1614.0	+1.5	1618.0	1607.0	1,399
January	1612.0	1612.0	-7.5	1612.0	1612.0	50
March	-	-	-	-	-	0

Estimated volume 4,146 Total Open Interest 9,286

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9600	1.9502	1.9331	1.9119	1.8783

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.9508	1.9522	1.9494	1.9500
Mar	1.9264	1.9276	1.9250	1.9252
Jun	1.9052	1.9070	-	1.9052

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	15
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd.	14½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc.	16	● Smith & Williamson Secs.	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unibank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of India	14	HFC Bank plc	14	United Mizrahi Bank	14
Bank of Scotland	14	● Hambros Bank	14	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Hampshire Trust Plc.	14½	Western Trust	14
Barclays Bank	14	Heritable & Gen Inv Bnk.	14	Westpac Bank Corp.	14
Benchmark Bank	14	● Hill Samuel	14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk.	14		
Clydesdale Bank	14	Midland Bank	14		
Comm.Bk.of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat Bk. of Kuwait	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.1% Saverise 7.7%. Top Tier-£50,000+ instant access 13.7%

MONEY MARKETS

Short rates ease

INTEREST RATES eased at the short end of the London money market yesterday, as October UK unemployment showed a surprisingly large rise, and the Bank of England forecast a smaller than expected credit shortage on the cash money market. Short sterling futures rallied on the unemployment news and a better performance by the pound on the foreign exchanges.

Three-month sterling interbank fell to 13⅞-13¾ from 13⅞-13⅞ per cent, while 12-month money was unchanged at 12⅞-12⅞ per cent.

UK clearing bank base lending rate 14 per cent from October 8, 1990

December short sterling futures opened slightly higher at 86.64 and rose to a peak of 86.74 before closing at 86.73 against 86.62 on Wednesday.

The Bank of England initially forecast a day-to-day credit shortage of £650m. This was below market expectations of around £1,000m, but was revised up to £700m at noon. The forecast shortage was further adjusted to £600m in the afternoon, before a final revision back to £650m.

Total help of £583m was provided. Before lunch the authorities bought £304m bills outright, by way of £15m Treasury bills in band 2 at 13¾ per cent and £289m bank bills in band 2 at 13¾-13⅞ per cent. In the afternoon another £154m bills were purchased, via £39m bank bills in band 1 at 13⅞ per cent and £115m bank bills in band 2 at 13⅞-13¾ per cent. Late assistance of around £125m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £539m, with a rise in the note circulation absorbing £100m and bank balances below target £100m. These outweighed exchequer transactions adding £90m to liquidity.

In Frankfurt interest rates were steady yesterday, with call money unchanged at 8.15 per cent. Trading was quiet. As expected the Bundesbank kept official interest rates unchanged, leaving the discount rate at 6.00 per cent and the Lombard rate at 8.50 per cent at yesterday's council meeting.

Banks reserve levels at the Bundesbank have been high so far this month, climbing to DM73.8bn on Tuesday from DM71.5bn and leaving the average for the first 13 days of November at a comfortable level of DM74.6bn. Tax payments are expected to tighten liquidity later this month, but have had little impact so far.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.15) 3 months US dollars		6 months US Dollars	
bid 7⅞	offer 8⅛	bid 7⅞	offer 7⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9¾
Fed funds	8
Fed. funds at intervention	-

Treasury Bills and Bonds

One month	7.28	Three year	7.72
Two month	7.29	Four year	7.89
Three month	7.34	Five year	8.00
Six month	7.41	Seven year	8.26
One year	7.34	10-year	8.38
Two year	7.60	30-year	8.54

Nov 15	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.10-8.20	8.20-8.35	8.60-8.75	8.65-8.80	8.80-8.95	8.50
Paris	9⅛-9¼	9¼-9⅜	9⅞-10	9⅞-10⅛	10⅛-10⅛	9.50
Zurich	7½-7⅝	8-8¼	-	8¼-8⅜	-	-
Amsterdam	8.37-8.50	8.43-8.53	-	8.83-8.90	-	-
Tokyo	7⅞-7⅞	8⅛-8⅛	-	8⅛-8¼	-	-
Milan	10½-10½	12⅛-13	-	12⅛-12⅜	-	-
Brussels	8.10	8¼-8⅜	-	9⅛-9⅛	-	-
Dublin	10½-10¼	10½-10½	10⅛-10⅛	10½-10⅝	10⅞-10⅞	-

LONDON MONEY RATES

Nov 15	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14½	14¼	14⅛	13⅞	13½	12⅞
Interbank Bid	13½	14	14⅛	13¾	13¼	12⅞
Sterling CDs	-	-	14⅛	13⅞	13⅜	12⅞
Local Authority Deps.	14⅛	14⅛	14¼	13⅞	13¼	12⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14	14	13⅞	13¾	-	-
Company Deposits	-	-	14⅛	13⅞	13⅛	12¾
Finance House Deposits	-	-	14⅛	13⅞	13⅜	12⅞
Treasury Bills (Buy)	-	-	13¾	13½	-	-
Bank Bills (Buy)	-	-	13⅞	13⅛	12⅞	-
Fine Trade Bills (Buy)	-	-	14⅞	13⅞	13⅛	-
Dollar CDs	-	-	7.90	8.00	7.90	7.90
SDR Linked Dep. Offer	-	-	8⅞	9⅛	9⅛	9⅛
SDR Linked Dep. Bid	-	-	8¾	8⅞	8⅞	9
ECU Linked Dep. Offer	-	-	9⅞	10⅛	10⅛	10¼
ECU Linked Dep. Bid	-	-	9⅞	10	10	10⅛

Treasury Bills (sell); one-month 13⅝ per cent; three months 13¼ per cent; six months 12⅞ per cent; Bank Bills (sell); one-month 13⅞ per cent; three months 13¼ per cent; Treasury Bills; Average tender rate of discount 13.0552 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1990. Agreed rates for period Nov 26, 1990 to Dec 25, 1990, Scheme I: 15.08 p.c., Schemes II & III: 15.32 p.c. Reference rate for period Sept 29, 1990 to Oct 31, 1990, Scheme IV&V: 14.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from November 1, 1990. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8, 1989. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

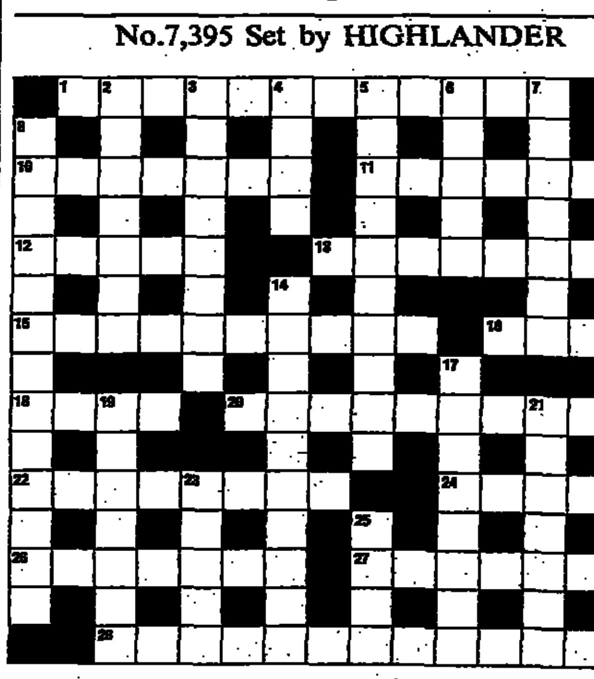
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.7,395 Set by HIGHLANDER



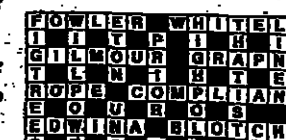
ACROSS

1 Legalised piracy yields personal jewellery for the ears (12)
10 Haphazard plan, yet provides in abundance (7)
11 Dashing young man presents cheek to social worker (7)
12 Creature is shy at first, turning up later (5)
13 He settles punctuation first (8)
15 Used to supply fruit-juice drink to reporters (5-5)
16 He has leading role; possessive female has nothing (4)
18 Sway in wind (4)
20 Principal current in sea and river (10)
22 Excessive drug consumption on prescription is at an end (8)
24 Vessels from Arabia? Sounds divine! (5)
26 Seafood for sailor: sole (7)
27 First mate conceals visa, turning cagy (7)
28 Contemptuous reference to stake split by pigmies (12)

DOWN

2 Amateur with wind instrument: outside broadcast (7)
3 Vehicle with shield at back and front (8)
4 Plays with small dogs (4)
5 Typing out legal documents can be intriguing (10)
6 House made out of big, loose-fitting blocks (5)
7 Rock is in great turmoil; Tangier also (7)
8 NCO uses cavalry weapon on petty officer found in cattle pen (5-8)
9 Assign an expert who can look after Victoria (13)
14 This newspaper has to be red. Special order (10)
17 Boss holding on to breeding stables (4-4)
19 Its said you batter sheep: we blame cook (3-4)
21 No one book raised a strong feeling (7)
23 Comic died on top of rock (5)
25 Confirmation that mammal is waterproof (4)

Solution to Puzzle No.7,394



WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. ϕ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
2pm prices November 15

Sales	Stock	High	Low	Close	Chng
[illegible]					
48347	CTire A f	$21⅝	21½	21½	− ⅛
18760	CUtil A f	$20⅝	20¾	20⅝	− ⅛
10000	Canamax o	60	60	60	+ 1
2900	Cantor	$22⅝	22¼	22⅝	+ ½
1200	Cara A f	$13¾	13¾	13¾	
200	Carena	$9¾	9¾	9¾	
1500	Celanese	$31½	31½	31½	+ ⅛
821	Cen Capital	$5¾	5¾	5¾	
7125	CenCap A	380	370	375	+ 5

Sales	Stock	High	Low	Close	Chng
1100	C Guar Tr	$8½	6¼	6¼	
[illegible]					
209	H BayMn s	$5½	5½	5½	− ¼
907	H Bay Co	$17¾	17¾	17¾	
91250	Imasco L	$27⅞	27¾	27⅞	− ⅛
12432	Imp Oil A	$61¼	60¾	61	
211625	Inco	$28⅛	27⅝	27¾	− ½
6400	Innopac	215	205	210	− 5
111	Interhome	$48⅛	48⅛	48⅛	− ¼
35422	Inv Grp	$23⅝	23½	23½	
757	Ipsco	$16½	16½	16½	

Sales	Stock	High	Low	Close	Chng
[illegible]					
180683	Placer Dm	$16⅛	15⅞	16	+ ⅛
10475	Poco Pet	$8	7⅞	7⅞	− ⅛
31430	Powr Cor f	$15¼	15⅛	15⅛	− ⅛
2724	Provigo	$9⅛	9¼	9¼	
175	Quebcor A	$12⅞	12⅞	12⅞	+ ⅛
22558	Ranger	$8¼	8⅛	8¼	
1400	Rayrock f	$8	8	8	
3	Rd Stenhs	$25	25	25	
40100	Renisance	$14⅝	14⅝	14⅝	

Sales	Stock	High	Low	Close	Chng
100375	Repap f	[illegible]			
[illegible]					
44466	Wcoast E	$22	21⅞	22	+ ¼
3850	Westmin	385	385	385	
4600	Weston	$38⅝	38½	38½	− ⅛

f – No voting rights or restricted rights.

INDICES

NEW YORK

DOW JONES	Nov. 14	Nov. 13	Nov. 12	Nov. 9	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
ϕIndustrials	2559.65	2535.40	2540.35	2488.61	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.89	89.67	89.59	89.30	93.04 (3/1)	88.44 (24/9)	—	—
Transport	877.59	867.79	866.68	833.39	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	208.75	209.07	212.09	210.32	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

ϕDay's High 2581.19 (2559.90) Low 2522.77 (2512.38)

STANDARD AND POOR'S

	Nov. 14	Nov. 13	Nov. 12	Nov. 9	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	320.40	317.66	319.48	313.74	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	375.22	371.69	373.35	367.11	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	22.53	22.24	22.21	21.19	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	174.68	173.31	174.07	171.17	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	297.87	295.56	294.78	291.03	382.45 (5/1)	288.07 (30/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	356.87	352.80	351.46	341.95	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov. 9	Nov. 2	Oct.26	year ago (approx.)
Dow Industrial Div. Yield	4.09	4.08	4.17	3.94

	Nov. 7	Oct.31	Oct.24	year ago (approx.)
S & P Industrial div. yield	3.55	3.54	3.42	2.97
S & P Indl. P/E ratio	14.48	14.43	14.86	14.25

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Limited Inc	6,429,400	15⅛	− ⅛
Citicorp	2,558,000	14	+ ⅝
Scher-Plo	2,144,400	43¾	− 2⅞
Phillip Morris	2,010,800	49	+ ½
IBM	1,968,900	113½	+ 1½
Equifax	1,882,000	14⅛	− 2
Am Express	1,840,300	22¼	− ¼
BankAmerica	1,702,800	23⅞	+ ⅝
Fannie Mae	1,651,100	32½	+ ⅛
Pepsico	1,593,000	25⅝	+ ⅜

TRADING ACTIVITY

† Volume (Millions)	Nov. 14	Nov. 13	Nov. 12
New York	180.740	160.240	161.390
Amex	10.397	9.721	10.380
NASDAQ	130.810	123.367	119.297
Issues Traded	1,990	2,009	1,972
Rises	1,001	815	1,157
Falls	521	729	381
Unchanged	468	465	434
New Highs	18	21	14
New Lows	46	40	38

CANADA

TORONTO	Nov. 14	Nov. 13	Nov. 12	Nov. 9	1990 HIGH	1990 LOW
Metals & Minerals	2568.91	2593.85	2587.88	2523.81	3453.05 (4/1)	2486.60 (8/11)
Composite	3127.64	3135.08	3119.97	3077.42	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1676.49	1682.58	1670.41	1634.31	2060.90 (3/1)	1607.24 (16/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 15	Nov. 14	Nov. 13	Nov. 12	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1345.3	1345.2	1348.8	1335.6	1713.7 (12/1)	1291.2 (2/11)
All Mining (1/1/80)	638.3	641.9	643.9	639.1	860.8 (5/1)	627.2 (2/11)
AUSTRIA						
Credit Aktien (30/12/84)	446.57	445.24	453.95	445.24	703.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5074.62	5106.24	5140.75	5127.80	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	336.14	336.26	339.08	343.49	388.29 (20/7)	331.41 (27/9)
FINLAND						
Unitas General (1975)	406.5	405.3	408.0	410.4	677.3 (23/1)	398.9 (24/10)
FRANCE						
CAC General (31/12/82)	421.98	424.02	426.51	420.26	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1598.02	1599.13	1610.13	1597.34	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	615.55	609.41	616.98	613.04	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1747.8	1730.1	1753.1	1741.9	2414.8 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1421.19	1406.23	1402.91	1402.24	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	2990.47	3006.82	2998.97	2949.56	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1212.28	1218.09	1208.89	1208.39	1893.10 (22/1)	1207.47 (1/10)
ITALY						
Banca Com. Ital. (1972)	518.61	520.62	532.40	529.38	763.52 (14/6)	518.61 (15/11)
JAPAN						
Nikkei (16/5/49)	23487.48	23937.44	23973.67	(c)	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1745.87	1770.30	1773.02	(c)	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	3140.58	3150.30	3129.79	(c)	4477.16 (16/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	471.67	472.85	472.20	469.45	632.22 (1/8)	459.08 (28/9)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	226.9	226.7	227.7	228.6	271.9 (20/7)	225.6 (8/11)
CBS All Shr (End 1983)	166.3	166.2	166.9	167.6	206.3 (3/1)	165.6 (8/11)
NORWAY						
Oslo SE (Ind) (2/1/83)	688.75	693.54	706.93	706.65	915.13 (2/8)	668.75 (15/11)
PHILIPPINES						
Manila Comp (2/1/85)	647.54	614.50	610.11	594.52	1160.70 (21/3)	514.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	310.77	311.35	310.87	307.28	446.87 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1253.0‡	1315.0	1323.0	1355.0	2230.0 (16/1)	1253.0 (15/11)
JSE Industrial (28/9/78)	2718.0‡	2753.0	2713.0	2710.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	701.45	704.89	710.06	701.53	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	231.20	230.73	231.70	231.50	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	862.8	862.5	874.7	859.3	1329.9 (5/7)	850.2 (9/11)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	641.7	645.3	647.4	646.0	845.5 (13/7)	613.4 (28/9)
SBC General (1/4/87)	523.9	525.6	527.8	525.2	698.2 (13/7)	512.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	3962.85	3850.27	3739.05	(c)	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	655.84	652.13	659.37	661.03	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	460.6*	463.2	464.5	458.6	571.0 (4/1)	423.1 (28/9)

**Saturday November 10: Taiwan Weighted Price: 3502.82 Korea Comp Ex. 697.59
*Calculated at 15.00 GMT.
‡ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 15 November 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	7.6m	405	0
Honshu Paper	6.4m	2,610	+120
Nissan Motor	5.7m	725	+5
Fujikura	5.4m	777	+23
Kyudenko	5.4m	2,170	+30
Kyosan Elec	5.1m	1,500	+70
Hitachi	4.9m	1,100	-10
S'tomo Metal	4.5m	430	-18
Shiseido	4.1m	2,230	+50
Nippon Mng	3.5m	481	-9

3pm prices November 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37⅛	9½	AAR	.48	4.2	7	2392	11⅞	10⅝	11⅜	+ ½
9¾	7¾	ACM n	1.01	12.		274	8½	8⅜	8½	
11½	8¾	ACMIn	1.26	13.		2035	10⅛	9⅞	9⅞	– ⅛
9¾	6½	ACM M	n1.01	16		252	7	6⅞	6⅞	– ⅛
12⅛	10	ACMMM	1.50	13		135	11⅝	11⅝	11⅝	+ ⅛
11½	8⅝	ACM Sc	1.26	13.		1831	9¾	9½	9⅝	
9⅞	7¼	ACMSp	1.01	12.		285	8½	8¼	8¼	– ¼
24⅝	15⅞	AL Lab	.16	.7	18	568	22¼	21½	22¼	+ ¼
5⅛	1	AM Intl				485	1⅝	1½	1½	– ¼
21⅛	4⅝	AM In pf	2	27		9	7⅜	7⅜	7⅜	+ ⅛
72¼	39¾	AMR			14	2531	48⅝	48⅛	48½	– ⅜
4	1½	ARX			5	211	1⅝	1½	1½	– ⅛
72¼	38¼	ASA	3	7.3		775	41⅜	40⅞	41⅛	+ ⅜
3½	3⅛	ATTC wt				20	3½	3½	3½	
45⅝	31¼	AbtLab	s.84	1.9	20	5085	43⅝	42¼	43¼	– ⅛
11⅝	4⅞	AcmeC	.40	7.3	7	56	5⅝	5½	5½	– ⅜
9⅜	5	AcmeE	.32	5.8	9	22	5⅝	5½	5½	– ⅛
32⅜	18⅞	Acuson	s		19	847	24⅞	23⅞	24⅜	– ⅞
16⅞	14⅛	AdaEx	1.72e	12.		68	14⅝	14⅜	14⅝	+ ⅜
15⅜	10¼	Adobe				31	11⅝	11½	11½	– ⅛
11⅞	3⅝	AMD				4464	4⅞	4½	4⅝	– ⅜
32⅞	13	AMD pf	3	16.		67	16⅞	18¼	18¼	– ¾
9¼	1⅞	Advest	.16	6.7		139	2⅜	2⅜	2⅜	
62	29	AetnLf	2.76	7.4	9	4096	37¾	37	37⅛	– ⅛
12½	6⅛	AhPb	.24	3.5		988	7⅛	6⅞	6⅞	– ⅛
21½	10⅝	Ahmans	.88	6.3	6	3405	14	13½	14	
5⅝	1⅞	Aileen			8	15	3⅛	3⅛	3⅛	– ⅛
61	42⅞	AirPrd	1.44	2.8	13	1076	52	50⅞	52	+ ⅜
27	13½	AirFrt	s .30	1.7	9	437	17¾	17¼	17⅝	+ ⅛
24½	11⅛	Airgas			18	40	12⅝	12½	12½	+ ⅛
20⅞	13¼	Airlease	2.52	17	7	24	15⅝	15⅛	15⅛	+ ⅛
10¼	9	AlaP dpf	.87	9.2		6	9½	9½	9½	
98⅛	88	AlaP pf	9	9.3		z300	97	97	97	+ 1
91	84¼	AlaP pf	8.28	9.5		z150	88	87½	87½	– ½
28	13⅞	AlskAir	.20	1.2	9	83	16⅜	16⅝	16⅛	
19⅞	8	Albnyln	.35	3.4	13	16	10¼	10⅛	10¼	+ ⅛
27⅞	19⅛	Alberto	s.20	.8	19	58	25	24⅞	24⅞	– ⅛
23¼	15⅛	AlCulA	s .20	1.1	14	264	18⅜	18	18	– ⅛
37⅝	24⅝	Albtsn	s .48	1.5	20	507	33	32⅞	32⅞	– ⅜
24½	16⅝	Alcan	1.12	6.3	8	4573	17¾	17½	17⅜	
[illegible]										

Continued on Page 47

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
32¼	12⅝	SPX Cp	1	6.1	11	607	16¾	16¼	16½	- ⅜
15⅞	1⅞	Saatchi	.10j			188	2⅞	2¼	2¼	- ¼
13⅝	10¾	SabnR	1.40e	13.	8	95	11⅞	11⅝	11⅝	
11⅝	5	Safecrd	.15	2.4	7	169	6⅝	6¼	6⅜	
18¼	6⅝	SfgdSc			3	5	9	9	9	
44¼	27¾	SaftKln	.40	1.1	25	1307	38¼	37⅝	37⅝	- ⅜
16⅞	10¼	Safewy n				200	12⅝	12¼	12½	- ⅛
4⅝	2¼	Sfwy wt				392	2⅝	2⅜	2½	- ⅛
9⅞	4⅞	StlnCas	1.12	23.	17	44	4⅞	4⅝	4⅞	+ ⅛
46⅝	25½	StJoe n	.20	.6		154	31¼	30⅞	31	- ¼
27⅞	22⅝	StJoLP	1.60	6.4	10	59	25⅛	24⅞	25	+ ¼
15⅞	2	vjSalant				36	2⅛	2	2⅛	+ ⅛
56½	32¾	SallieM	.62	1.5	16	2137	41¾	41	41½	- ½
27	20	Salomn	.64	2.5	12	1872	25½	25	25⅛	- ¼
13¼	10	SalmBr	1.08e	9.3		917	11⅝	11¼	11⅝	+ ¼
46¾	38	SDieGs	2.70	6.0	12	343	45½	45⅛	45¼	- ¼
8½	5⅝	SJuanB	.35e	5.8	17	111	6	5⅞	6	
29⅞	11¾	Sanlfi n			31	106	22⅝	22⅛	22⅛	- ⅜
30	19⅝	SAnRt	2.08	8.7	10	47	24	23⅝	24	+ ½
9⅛	4¼	SFeEP	.80	17.		53	4⅞	4⅝	4⅝	
22⅞	15¾	SFER	n.08e	.5		45	17⅛	16⅞	16⅞	- ⅜
28	23	SFePP	2.80	10.	8	118	24⅞	24½	24⅞	
23⅛	11⅞	SFePCp	.10e	.7		4787	14⅞	13¾	13⅞	- ⅝
39¾	24⅛	SaraL s	.94	3.2	15	10040	30⅛	29⅝	29¾	- ¼
27¼	24½	SavE pfA2.37		9.3		2	25½	25½	25½	- ⅛
9-16	9-32	Savin				1406	3-16	7-64	⅛	
8⅞	6⅛	Savn pfA1.50		19.		10	7¾	7⅝	7⅝	- ¼
7¼	2⅞	Savn pfB.60t		28.		17	2⅞	2⅞	2⅞	+ ⅛
35¼	30¼	SCANA	2.52	7.3	8	33	34½	34¼	34⅜	
50¼	36⅞	SchrPl	s1.12	2.6	18	16711	44⅝	43½	44	+ ¼
69⅞	40¾	Schlmb	1.20	2.1	25	3698	56⅞	55⅛	56	+ ⅛
17⅞	10⅝	Schwb	.16	1.2	16	49	13⅛	12⅞	12⅞	- ⅛
7½	3¼	Schwitz			13	47	3⅞	3⅝	3⅝	
29⅞	8⅞	SciAtl	.16	1.4	6	x1291	11¼	10⅞	11⅛	+ ⅛
11⅛	4⅝	Scotmn	.10	1.9	8	62	5⅛	5⅛	5⅛	
52¼	30	ScottP	.80	2.1	10	368	37⅞	37	37⅞	+ ⅛
18⅝	11⅞	ScudNA	1.58e	12.		88	13⅞	13½	13½	- ⅜
13⅞	7⅞	ScdNE n				101	9⅛	9	9	- ⅛
69⅞	33⅞	SeaCnt	1.40	3.6	4	291	39⅛	38	38⅞	- 1⅛
14¾	12⅝	SeaCt pf1.46		9.9		1	14⅞	14⅞	14⅞	+ ⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅛	8⅞	WyleLb	.28	2.7	9	74	10⅜	10¼	10⅜	
24⅛	13¾	Wynns	.60	4.1	9	6	14½	14¼	14½	+ ½
		– X – Y – Z –								
60⅛	29	Xerox	3	8.8		85442	34½	34	34¼	+ ¼
47⅞	45	Xerox pf				10	45¼	45¼	45¼	- 1¼
49	43½	Xerox pf4.13		9.3		1	44½	44½	44½	+ 1
32⅝	13⅝	XTRA	.72	5.3		x80	13⅞	d13¼	13½	- ¼
4	⅝	Zapata				330	⅞	⅝	11-16	- 1-16
6⅛	3	Zemex				5	3¼	3⅛	3¼	+ ⅛
13¾	4	ZenithE				459	6⅛	5⅞	5⅞	- ¼
18⅞	9⅞	ZenNtl	.88	8.0	7	1006	11¼	10⅝	11	+ ¼
8	4½	Zenix	.83	20.		373	4⅞	4⅝	4⅞	- ⅛
17½	9⅞	Zero	.40	3.6	12	195	11¼	11	11	- ⅛
51¾	29⅝	Zurnln	.88	2.6	15	67	33⅝	32⅞	33½	+ ¼
12⅝	10⅛	Zweig	1.18e	11.		190	10⅜	10⅝	10⅜	+ ⅛
10	7⅞	ZweigTl	.84	9.6		569	8⅞	8⅝	8⅞	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices November 15

NASDAQ NATIONAL MARKET

3pm prices November 15

FINANCIAL TIMES Friday November 16 1990

AMERICA

Equities fall prey to profit-taking

Wall Street

EQUITIES fell prey to profit-taking yesterday, as slightly higher oil prices pulled stock values lower, *writes Patrick Harverson in New York.*

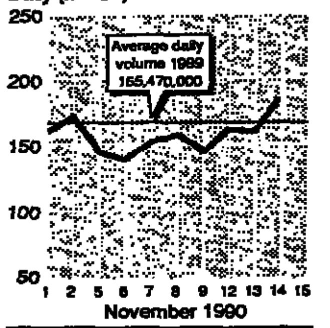
At 1.30 pm the Dow Jones Industrial Average had partly recovered from an early 17-point drop and was down 8.66 at 2,550.99. The Standard & Poor's 500 was a touch lower at midsession, easing 1.75 to 318.65, as was the over-the-counter market. The American SE composite was down 0.56 at 297.31.

Doubts over whether the Federal Reserve had signalled an easing of monetary policy during its regular morning operations in the Federal funds market meant that dealers lacked a strong lead. The jobless claims data and business inventories figures released at the start of the session provided no new information on the state of the economy and only added to the listless mood.

The market's attention remains firmly fixed on the actions of the Fed, and on the next set of inflation data, due out today in the form of the consumer prices index (CPI) for October. Dealers are confidently expecting the authorities to push the Federal funds rate down by at least 25 basis points either today or early next week.

However, some have warned that if the CPI figure is some way above the expected monthly rise of 0.7 per cent, the Fed could decide to postpone its credit cutting move

NYSE volume



until much later in the year. Such a decision would severely disappoint a market that has already fully discounted an easing of monetary policy, and this fear was behind the cautious nature of yesterday's trading.

Among the main features of the morning session was a sharp drop in the shares of A&P, the supermarket group, down $2⅝ at $38⅞, a 52-week low. The fall followed a round of profits downgradings by retail analysts in the wake of a warning from A&P that earnings growth would be flat in the current quarter.

Downgradings and negative comment from analysts were behind similar falls in other stocks. The losers included Motorola, down $3 at $53, Tambrands, $4⅛ lower at $83, and McDermott International, falling $1¾ to $25⅞. Selling pressure in Motorola was enough to create an order imbalance and force a delay in the opening of trading in the stock.

Going in the other direction were Campbell's Soup, which gained $⅝ to $53 after reporting reasonable first-quarter results and increasing its dividend.

Other stocks to go against the wider market trend included The Gap, up $⅝ at $31 on a better-than-expected 39 per cent rise in third-quarter profits, and House of Fabrics, $1⅞ firmer at $29⅛, a high for the year, following a strong broker's "buy" recommendation.

Bank stocks moved lower with the market after enjoying some recent gains on hopes of a drop in interest rates. Chase Manhattan fell $⅛ to $10¾. Citicorp gave up $⅜ to $13¾. American Express eased $⅜ to $21⅞ and Manufacturers Hanover slipped $⅛ to $19⅞.

Sea Containers dropped $2 to $38 after revealing a near-30 per cent drop in third-quarter earnings per share, while Bausch & Lomb, the maker of Ray-ban sunglasses, fell $¼ to $61¼ after postponing its plan to move to new corporate headquarters because of the poor economic climate.

Canada

THE WAIT for the US Federal Reserve to cut interest rates kept a damper on the Toronto market, although stocks did recover slightly by midsession from earlier lows. The composite index stood 4.5 lower at 3,123.1 on volume of 13m shares. Declines led advances by 209 to 174.

SHL Systemhouse dropped C$1½ to C$5¼. The company reported a fourth-quarter loss of 32 cents per share compared with a profit of 13 cents per share.

Hees International lost C$¾ to C$16¼ after reporting its third-quarter earnings on Wednesday.

Cyclical downswing limits volume

William Cochrane on the influences on October's European trading

WITH A useful increase in volume, but none of the excitements of earlier days in the year, Germany's stock market turnover reflected the mood of international investors in October: less afraid of a Gulf war than they were in September, but still extremely cautious and all too aware of the gathering clouds of recession in Europe.

Germany started in a very low key, says Mr James Cornish of County NatWest, which produces the volume figures. Like most other European bourses, it saw trading hit a short-lived peak in the third week of the month, when there was some reduction in oil prices and there seemed to be hopes of a Gulf compromise.

The German economy, meanwhile, mixed caution over prospects with high current performance. Pundits forecast a rise in inflation and falling gross national product growth for 1991; but more immediate pessimism was confounded by industrial orders for August, announced on October 8, which showed a rise of more than 10 per cent over a year earlier and 4.6 per cent over July.

Sentiment became cooler towards the end of the month, before the Bundesbank's increase in the Lombard rate on November 1. Among equities, there was a move away from the big cyclicals, such as chemicals and carmakers, into defensive stocks, including retailers and construction issues – which, unfortunately, are much harder to trade in any real volume.

For sheer scale, the best increase in October's stock market turnover came from the UK, which joined the European Exchange Rate Mechanism early in the month and had a short but sweet run on the strength of this. Britain's strength in the North Sea must have helped, even though this was counter-balanced by steadily worse news on the economy.

The countries that did not improve were France and the Netherlands. France did have an upturn during the month; but a continuing series of depressing corporate earnings reports combined with the beginning of political worries, as doubts were cast on the ability of Mr Michel Rocard, the French prime minister, to get his budget through parliament.

The latest monthly report on French equities from DLP James Capel, the UK brokers' Paris associate, forecast union disturbance on wages and a stormy period in the Assembly, and expected that volume would remain low. Downward pressure on the market, it said, would be more the result of mark-downs than genuine selling pressure. The market is well-liked on a valuation basis, but investors show a reluctance to get in at this stage.

Kleinwort Benson notes that the Netherlands had a partial recovery in share prices in October, with the CBS All-share index, excluding Royal Dutch, up 4 per cent at 159.2. However, this was only in line with France and Switzerland, and below the 9 per cent rally in Germany.

Volume stayed extremely depressed: the Dutch market had no upswing in trading during the third week. As Mr Cornish observes, Royal Dutch suffers when oil prices fall, and that company accounts for 40 per cent of the equity market.

Two of the other majors, Philips and KLM, made dismal interim reports as the month went on. So while Amsterdam has a good quota of defensive stocks – including strong 1990 share price performers such as Nutricia, in food, and Wolters Kluwer, in publishing – its big cyclicals are giving the market a bad name.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Jul 1990	Aug 1990	Sep 1990	Oct 1990	US $bn
Belgium	37.0	43.9	23.8	37.7	1.22
France	99.9	115.4	83.4	82.0	15.77
Germany	159.6	142.8	81.6	95.6	61.62
Italy	20,667	20,840	10,645	12,248	10.53
Netherlands	12.2	17.9	11.2	10.9	6.23
Spain	834.0	518.0	376.0	442.0	4.55
Switzerland	15.1	16.1	11.9	12.4*	9.85
UK	28.7	29.8	21.1	28.7	54.23

*Volumes represent purchases and sales. *Swiss data estimated. Italian data adjusted to include off-market trading. Some figures may be revised. Source: County NatWest WoodMac.*

ASIA PACIFIC

Selling by individuals saps Nikkei's energy

Tokyo

SMALL-LOT selling by individuals pushed stocks down in the Tokyo market yesterday, in spite of the overnight surge on Wall Street and lower oil prices. Dealers and individual investors dipped into the market, but overall trading was very thin, *writes Emiko Terazono in Tokyo.*

The morning started on a positive tone and the Nikkei quickly reached a high for the day of 23,959.71. However, sentiment soon subsided. The 225-issue average closed down a net 449.96 at 23,487.48 after touching 23,453.23.

Trading volume further contracted to 300m shares from Wednesday's 350m. Declines finally outscored gains by 756 to 244, with 125 issues unchanged. The Topix index of all first section stocks lost 24.43 to 1,745.87, although in London trading the ISE/Nikkei 50 index shed just 1.10 to 1,301.06.

Most sectors were weak. NTT led communications shares down, falling Y60,000 to Y1.03m. Large-capital issues continued to lose ground. Kawasaki Steel slipped Y14 to Y401, Mitsubishi Heavy Y20 to Y670 and Fuji Photo Film Y160 to Y3,450. International blue chips were widely sold, with NEC weakening Y60 to Y1,290.

Gains were limited to small and medium-sized issues of companies showing favourable results for the first half of the year. Futaba Industrial, the largest maker of car silencers, was up Y200 at Y1,890 and Kyosan Electric, a favourite speculative issue, gained Y70 to Y1,500 in active trade.

Commented Mr Dominic Henderson at Jardine Fleming: "People have been relying on business performance as the only reason to buy. Other than that, the market is in a range, with not much going on."

Electrical engineers advanced, with Kyudenko adding Y30 at Y2,170. The sector has been popular because of high capital spending by electric power companies and good interim profits. Tohoku Electrical Construction, announcing an upward revision of pre-tax estimates for the fiscal year, hit an all-time high of Y3,440 and ended up Y30 at Y3,390.

Game makers were bought, with Nintendo rising Y200 to Y25,100 in Osaka, and Sega, which is seeing steady sales for its 16-bit home TV game, climbing Y300 to Y14,200. Bandai moved ahead Y80 to Y7,700 on favourable results.

Retailers were buoyed by strong consumer spending statistics. Marui put on Y20 to Y2,370 and Isetan rose Y90 to Y3,570.

In Osaka, stocks that were steady in the morning fell victim to profit-taking. Shimano Industrial finished down Y490 at Y4,900 and Seiren lost Y10 to Y3,220. The OSE average fell 218.69 to 27,354.19 amid volume of 39m shares, well below Wednesday's 57m.

Roundup

GAINS IN the Pacific Rim region continued to be led by Taiwan and the Philippines, while more mature markets edged lower in quiet trading.

TAIWAN climbed a further 2.9 per cent to its highest point in almost three months, buoyed by a rally in financial shares. The weighted index advanced 112.58 to 3,962.85, its best level since August 17. Turnover came to T$62.3bn, against Wednesday's T$69.1bn.

Good export figures are stirring up enthusiasm: latest numbers show exports during the first 10 days of the month rising 14.8 per cent from the same period a year ago.

MANILA continued to rise on dividend speculation about Philippine National Bank (PNB), and hopes of loans or grants from Japan. The composite index forged ahead 33.04, or 5.4 per cent, to 647.54 as combined volume of the two Philippine markets expanded to 84m pesos from 69m.

PNB added 22.50 pesos at 275 pesos and Philippine Long Distance Telephone rose 21.50 pesos to 257.50 pesos.

AUSTRALIA ended little changed after Westpac Banking's annual net profits, which were in line with or slightly better than expectations. Westpac firmed 2 cents to A$3.99 after saying that it would maintain a final dividend of 27.5 cents.

News Corp recouped 2 cents at A$5.86 before announcing first quarter profits after the close. The All-Ordinaries index hardened 0.1 to 1,345.3 in turnover of A$219m (A$178m).

NEW ZEALAND eased as the local dollar remained strong against the Australian currency. The Barclays index lost 7.29 to 1,266.90, its seventh six-year low in 11 sessions.

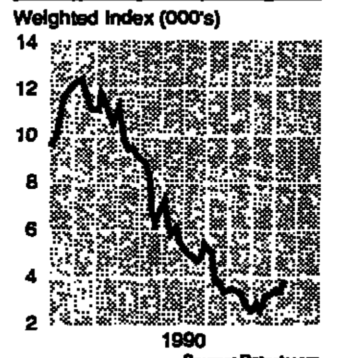
Against the trend, Lion Nathan, the brewing and retail company which defied some expectations by reporting a small rise in profits late on Wednesday, improved 7 cents to NZ$2.60.

HONG KONG slipped on profit-taking after three days of gains. The Hang Seng index receded 16.35 to 2,990.47 in turnover of HK$886m, down from HK$1.07bn.

SINGAPORE was mixed in subdued trading, discouraged by the Middle East crisis and the weak performance in Tokyo. The Straits Times Industrial index edged up 1.59 to 1,116.41.

Robinson, the retailer, gained 13 cents to S$2.86 after saying last week that it would accept Fraser & Neave's offer for its stake in Centrepoint Properties.

Taiwan



EUROPE

Domestic trends dominate bourse activity

DOMESTIC news continued to dominate bourses yesterday, in a mixed but modest day for share price trends, *writes Our Markets Staff.*

FRANKFURT built on Wednesday's recovery, with the FAZ up 6.14 at 615.55 at midsession and the DAX closing 14.96 higher at 1,421.19. Volume, however, merely rose from DM4bn to DM4.5bn.

Chemicals, the sluggards of the market in the days of *Ostphantasie*, were volatile as Hoechst led the sector up with a rise of DM5.90 to DM189.90.

Analysts had a meeting with the company on Wednesday; there was no specific dividend forecast but, says Mr Charles K Brown of Goldman Sachs, they were given to understand that the company would either maintain its 1990 dividend, or cut it by only a token amount.

The mood was so improved that some analysts tried to argue that a 4 per cent rise in profits after nine months was good news for Daimler. James Capel was not impressed. Its earnings forecasts for the company fall from DM49.50 per share this year to DM42.50 next, and they note that while the company is still an archetypal market stock – it rose DM8.50 to DM574.50 yesterday – it has lost the 15 or 16 per cent premium to the market that it used to enjoy.

PARIS was more active than on Wednesday but prices ended little changed overall. While Prime Minister Michel Rocard faces a vote of no confidence, expected on Monday, the CAC 40 index slipped only 1.11 to 1,598.02 in turnover of about FFr1.6bn, after the previous day's FFr1.3bn.

Eurotunnel's rush downhill continued, as its shares lost another 70 centimes to FFr31.80 on a huge trading volume of 3.9m shares, while its rights package fell 63 centimes to FFr1.97. The shares have shed 9 per cent of their value from their closing price on Monday, the day that they went ex rights.

Among the day's winners, Bon Marché gained FFr38 to FFr722, possibly on the revival of rumours that it was selling its Conforama furniture retailing subsidiary. CMB Packaging rose FFr4 to FFr107 on a belief that it had been oversold.

Lyonnaise des Eaux-Dumez again saw one of the biggest turnovers of the day, as the shares rose FFr7 to FFr510.

STOCKHOLM balanced enthusiasm for Astra, the pharmaceutical group, and optimism for Asea, the engineer with nine-month figures due today, with Wednesday's worse-than-expected current account deficit for September.

The Affärsvärlden General index closed 0.3 higher at 862.8 before results from Volvo. Mr John Longhurst of James Capel said that the figures, with profits excluding provisions down 63 per cent, were at the bottom end of market expectations. His profit forecasts for the company have subsided to SKr1bn or less for 1991 after SKr2.5bn to SKr3bn this year, against an actual SKr6.6bn for 1989.

AMSTERDAM firmed but ended below its day's highs. The CBS Tendency index added 0.7 to 95.5. The insurance sector was mixed, with Nat-Ned gaining Fl 1.40 to Fl 50.30 after recent weakness following its tie-up with NMB Bank, while Aegon fell 20 cents to Fl 106.70, and Amev was unchanged at Fl 44 after the news that it had reached formal agreement with Groupe AG, the Belgian insurer, on combining their operating activities.

MILAN stayed gloomy yesterday, on bad corporate news and the threat of awkward modifications to Italy's capital gains tax plans. The Comit index hit yet another 1990 low, 2.01 down at 518.61, and the fall would have been steeper but for short-covering in stocks such as Montedison, a full L100 higher on the day at its after-hours price of L1,222.

MADRID edged higher after the previous day's news of an October inflation figure of 0.9 per cent – in line with expectations, but distorted by an 11-day transport strike, which raised food prices. The general index rose 0.47 to 231.20.

BRUSSELS slipped in quiet trading, with the cash market index down 31.62 at 5,074.62. Groupe AG edged up BFr30 to BFr7,630 after the formal merger deal with Amev of the Netherlands, while Barco fell another BFr52 to BFr1,248 on worries about earnings prospects, although the share price recovered from a day's low of BFr1,230.

COPENHAGEN's index edged down 0.12 to 336.14, but Baltica Holding recovered DKr30 to DKr930, after recent losses following the removal of takeover speculation. OSLO hit another 1990 low in moderate dealings, with relatively high volume in banking stocks. The all-share index eased 2.58 to 478.36 in turnover of NKr319m.

ISTANBUL rebounded after its recent steep losses, with the bourse index rising 171.01 or 5 per cent to 3,603.80 as turnover picked up to TL68.2bn from the previous day's TL42.6bn.

SOUTH AFRICA

GOLD shares in Johannesburg continued to suffer from the strength of the financial rand and a decline in bullion prices. The JSE all-gold index lost 62 or 4.7 per cent to another year's low of 1,253, although industrials eased only slightly.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 14 1990								TUESDAY NOVEMBER 13 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (77)	123.78	−1.1	93.54	101.39	94.68	106.72	−0.1	7.42	125.13	94.43	102.47	96.28	106.86	158.31	118.98	146.76
Austria (19)	200.63	−1.1	151.65	164.37	153.49	153.45	−1.5	1.78	202.81	153.06	166.09	156.05	155.79	285.63	178.57	142.98
Belgium (61)	139.31	−0.3	105.29	114.11	106.57	104.44	−0.5	5.55	139.76	105.47	114.44	107.54	104.95	160.02	126.67	142.96
Canada (120)	125.25	+0.1	94.67	102.60	95.81	105.57	+0.0	3.78	125.08	94.39	102.42	96.23	105.56	153.61	121.24	149.42
Denmark (33)	255.15	−0.2	192.85	209.03	195.20	196.42	−0.5	1.51	255.59	192.89	209.31	196.66	197.45	277.62	234.05	219.64
Finland (25)	105.82	+0.4	79.99	86.70	80.96	78.81	+0.6	3.87	105.42	79.56	86.33	81.11	78.35	152.29	98.91	121.06
France (122)	139.51	−0.4	105.45	114.28	106.72	108.60	−0.7	3.81	140.03	105.68	114.66	107.73	109.33	168.85	124.98	131.87
Germany (91)	115.09	−0.7	86.99	94.29	88.04	88.04	−1.3	2.58	115.92	87.48	94.94	89.19	89.19	144.63	101.38	97.09
Hong Kong (48)	122.77	+0.4	92.80	100.58	93.93	122.82	+0.4	5.39	122.29	92.29	100.14	94.10	122.33	147.49	112.24	117.97
Ireland (17)	152.17	+1.3	115.01	124.66	116.41	117.74	+0.8	4.44	150.16	113.32	122.97	115.54	116.80	198.57	139.04	158.10
Italy (91)	80.25	−2.1	60.65	65.74	61.39	66.46	−2.5	3.70	82.00	61.88	67.14	63.09	68.14	109.28	80.25	88.00
Japan (454)	129.81	−0.4	98.11	106.34	99.32	106.34	−0.4	0.80	130.33	98.36	106.73	100.30	106.73	197.26	106.58	187.40
Malaysia (35)	194.28	+0.1	146.84	159.15	148.62	201.91	+0.1	3.11	194.14	146.51	158.97	149.37	201.80	250.89	182.96	197.07
Mexico (12)	549.29	+0.4	415.17	449.99	420.22	1762.05	+0.7	0.39	547.37	413.09	448.24	421.17	1749.61	561.41	324.53	288.82
Netherland (41)	134.07	+0.2	101.33	109.83	102.57	101.52	−0.4	5.30	133.82	101.00	109.59	102.97	101.91	149.03	127.56	125.06
New Zealand (16)	48.45	−1.7	36.62	39.69	37.07	42.11	−1.4	7.96	49.28	37.19	40.36	37.92	42.71	75.36	48.15	75.12
Norway (27)	223.53	−2.2	168.95	183.12	171.01	175.14	−2.3	1.77	228.51	172.46	187.14	175.83	179.28	276.79	202.34	170.73
Singapore (25)	154.50	−0.2	116.78	126.57	118.20	121.93	−0.1	3.62	154.85	116.87	126.81	119.15	122.06	209.24	147.24	156.70
South Africa (60)	165.47	+0.1	125.07	135.55	126.58	131.28	+0.1	4.15	165.24	124.70	135.31	127.14	131.10	251.39	151.50	169.21
Spain (42)	148.07	−0.6	111.92	121.31	113.28	105.16	−0.5	5.28	149.02	112.46	122.04	114.66	105.67	182.25	128.54	151.84
Sweden (27)	165.45	−2.0	125.05	135.54	126.58	135.63	−2.2	3.00	168.90	127.47	138.32	129.97	138.71	234.93	158.07	169.16
Switzerland (68)	92.72	+0.1	70.08	75.96	70.94	71.62	−0.5	2.98	92.66	69.93	75.88	71.30	71.95	109.77	85.00	85.18
United Kingdom (298)	160.54	−0.7	121.34	131.50	122.80	121.34	−0.5	5.72	161.66	122.00	132.37	124.37	122.00	176.18	139.87	142.46
USA (533)	129.29	+0.8	97.72	105.92	98.91	129.29	+0.8	3.81	128.22	96.77	105.01	98.66	128.22	148.95	119.06	138.34
Europe (962)	135.65	−0.6	102.53	111.13	103.78	103.37	−0.8	4.48	136.52	103.03	111.80	105.05	104.21	157.65	124.91	124.07
Nordic (112)	179.45	−1.2	135.63	147.01	137.28	136.81	−1.4	2.21	181.57	137.02	148.69	139.71	138.75	223.29	172.38	166.74
Pacific Basin (655)	128.99	−0.4	97.50	105.68	98.69	106.56	−0.3	1.20	129.52	97.75	106.07	99.66	106.92	192.75	107.82	183.08
Euro – Pacific (1617)	132.05	−0.5	99.81	108.17	101.02	105.99	−0.5	2.58	132.73	100.17	108.68	102.12	106.55	174.18	116.03	159.55
North America (653)	128.95	+0.8	97.47	105.65	98.67	127.73	+0.8	3.81	127.94	96.55	104.78	98.45	126.73	148.43	119.26	138.91
Europe Ex. UK (664)	119.96	−0.6	90.67	98.29	91.79	92.68	−1.0	3.60	120.68	91.08	98.85	92.88	93.61	145.62	109.94	111.95
Pacific Ex. Japan (201)	118.70	−0.5	89.72	97.25	90.82	105.81	+0.0	6.29	119.31	90.04	97.71	91.81	105.81	146.72	116.03	131.28
World Ex. US (1809)	132.39	−0.5	100.07	108.47	101.29	106.65	−0.5	2.63	133.03	100.39	108.94	102.36	107.19	173.77	117.12	159.37
World Ex. UK (2044)	127.33	+0.0	96.24	104.32	97.42	112.96	+0.0	2.70	127.27	96.05	104.22	97.93	112.95	162.00	115.37	151.65
World Ex. So. Af. (2282)	130.06	+0.0	98.31	106.56	99.51	113.64	−0.1	3.02	130.11	98.19	106.55	100.12	113.71	161.84	118.04	150.70
World Ex. Japan (1888)	131.81	+0.2	99.63	107.99	100.85	117.65	+0.1	4.17	131.60	99.32	107.78	101.28	117.53	151.59	124.31	133.45
The World Index (2342)	130.28	+0.0	98.47	106.73	99.67	113.77	−0.1	3.03	130.32	98.35	106.72	100.28	113.83	162.05	118.33	150.81

Latest prices were unavailable for this edition.

FINANCIAL TIMES SURVEY

LUXEMBOURG

The duchy is to preside over the restructuring of the EC: **Page 2**

The landlocked country is ready to fly its own shipping flag: **Page 3**

SECTION III

Friday November 16 1990

Political stability and economic prosperity continue to dominate the duchy's outlook. But developments within the Economic Community, especially those concerning the financial sector, threaten to reduce the competitive position of this tiny nation, writes **Lucy Kellaway**

Change starts creeping in

The Petrusse Valley, Luxembourg City: signs are emerging which suggest that the status quo can no longer be taken for granted

IN THIS SURVEY

- *Editorial production: Sarah Murray*

TO THE 300,000 odd people who understand Letzeburgesch, the country's national motto – *"Mir welle bleiwe wat mire sin,"* (we want to remain what we are) – has more force now than ever.

Little, conservative, prosperous Luxembourg has every reason to want to stay that way. But over the past twelve months a few uncomfortable signs have started to emerge, suggesting that the status quo can no longer be taken for granted.

Some of these come from within, products of the country's own success, and – dare one say it – its complacency. Others come from the outside, where the trend is towards larger centres of power, making the continued existence of a country with just 370,000 inhabitants an increasing oddity.

Next month, and for much of next year, member states will grapple with the question of how best to reform the EC's institutions to allow the Community to grow wider, by admitting more members, and deeper.

Already it is clear that the institutions can barely cope with 12 members, and the prospect of more means that changes in the way decisions are taken are inevitable.

Luxembourg has a lot to lose in the discussions. Per head of population it is already over-represented in the Commission, in the Council of Ministers and in the Parliament. To allow such a small country to continue with a national veto over certain central EC matters such as taxation strikes some as ridiculous, and in the long term may not be tenable.

Still, in the short term Luxembourg will do its utmost to prove that it is as good a member of the Community as anyone else, as it takes over from Italy as president of the EC council of ministers in January.

The EC is posing some more tangible risks to Luxembourg at the moment. By far the most important is banking secrecy. This time a year ago the Grand Duchy was celebrating the demise of an unpopular proposal that would have imposed a withholding tax in all EC countries. As one of the few countries with no such tax, Luxembourg feared for its competitive advantage.

Such a victory may have cost it dear as the alternative proposal – that would allow tax authorities in one country to get information from another to help track tax-dodgers – could be even more serious to Luxembourg.

This proposal would mean the end to its tight banking secrecy laws, which at present mean that no information can be revealed unless criminal proceedings have begun.

Some observers present this as potentially disastrous to Luxembourg. They argue that its vast and successful private banking business has been built on secrecy laws, which are the strongest in the Community. Were the laws to change, the money could fly to Switzerland, or further afield.

The calmer view, and the official one taken by the Luxembourg government, is that money fleeing the tax man is no more common in Luxembourg than it is anywhere else and that the only reason Luxembourg attracts more attention is that it is a small country which is therefore much easier to point the finger at.

If Luxembourg can survive happily without banking secrecy, it is difficult to see why the government is fighting so hard.

It claims its position is a matter of principle; of protecting the right of banking clients to anonymity. It is also unhappy at the idea of having to co-operate with other fiscal authorities as, in any such supposed "co-operation", it is feared that the tax collecting minnows in Luxembourg could be press-ganged by their counterparts in Germany or France.

A second critical part of Luxembourg's financial infrastructure is also under fire: the holding company. About 8,000 of these have been established in Luxembourg with companies from Renault to Banco Ambrosiano.

As long as the holding companies do not trade, they can be cloaked in secrecy and do not have to pay tax. These privileges would be spoilt by various accountancy directives now making their way through the council of ministers, which would break the system open.

Luxembourg may be able to continue to block some of these specific measures for a while, but it is powerless against the general EC move towards harmonisation in business practices and taxation.

This move poses a fundamental problem for the duchy: when everything has been harmonised, so that there are no tax or regulatory advantages left, will Luxembourg continue to thrive?

Here the prognosis is fair: Luxembourg does have other things going for it – it is at the heart of Europe, its people are polyglots, its Christian Democrat-led coalition is firmly in power.

Short of complete tax harmonisation, Luxembourg will go on finding creative fiscal ways of encouraging business. Over the past year or two its new insurance law has made the duchy into an important insurance centre, while new tax vouchers for film producers seem to be turning the duchy into a somewhat unlikely Hollywood of Europe.

Despite the threats from the outside, Luxembourgers seem as comfortable as ever. The steel industry may have turned down and inflation ticked up slightly, but the economy is still likely to grow at over 3 per cent this year, still comfortably ahead of the EC average.

After five years of strong growth the government has announced its most generous budget ever, with LFr14bn of tax cuts and higher spending, higher investment and higher real wages for the public sector.

But some say this habit of prosperity may soon become a problem for Luxembourg. As a result of past inaction the country is burdened by an infrastructure which has not kept pace with the breakneck rate of growth.

Trying to travel from one side of town to another at rush hour is almost as frustrating as it is in London. There are serious housing shortages and not enough international telephone lines.

The opposition liberal party – which has been excluded from the coalition since 1984 – is making much of these problems, claiming that the government is acting too slowly and too late.

However, were the Luxembourg government ever to fall, or even to wobble – neither of which seem remotely likely – it would not be over this sort of issue. Indeed the only subject at all likely to make big waves is the question of where the European institutions go.

For years, Luxembourg has been fighting against two stronger contenders – France and Belgium – for the seat of the European Parliament, and so far is losing, with a steady trickle of staff syphoned off back to Brussels.

The prospect of monetary union – complete with a European central bank – has given the duchy a new card to play: if Luxembourg could acquire the central bank, it would give up the Parliament.

At first sight it might not seem a suitable candidate: it is not a money centre, it has an underdeveloped airport, and there are more powerful operators elsewhere.

Yet its argument is a good one. First, Luxembourg is designated as the home of all EC financial institutions, and is politically neutral. It might not be a money centre, but then neither is Washington; and as far as the airport goes, those extra-busy Europeans who would be visiting the bank do not travel "with the people" anyway.

Luxembourg's infrastructure may not be marvellous, but it is the only place in Europe where you can land your private aeroplane and be in a meeting in the centre of town in just 15 minutes.

Fierce fight for national identity

LUXEMBOURG HAS been a separate, although not always independent, political entity since the 10th century. In the subsequent thousand years of its history it has been invaded and dominated by almost every great power in Europe but has still retained a fierce sense of national identity.

For geographical reasons it is France and Germany that have had the greatest influence on the tiny country.

Almost all inhabitants speak both French and German but the indigenous culture is more Germanic than Francophone. The Luxembourg language, for example, is no more than a dialect of German with a smattering of French words.

Luxembourgers are sensitive about being considered German

A cultural tilt towards Germany was relatively uncontroversial after Luxembourg established itself as an independent nation in the last century.

But invasion by Germany in the First World War put an abrupt end to it.

After the First World War and partly in reaction to that invasion Luxembourg tried to establish an associate status with France which was, however, turned down by the French.

Nonetheless the experience of being invaded once more by the Germans in the Second World War caused a radical realignment, at least by the élite, towards France and Francophone culture.

Luxembourg was not in a position to offer much by way of military resistance after being annexed by Nazi Germany, but few Luxembourgers became active supporters of the Nazis and most of the population resisted the invaders in whatever small way they could.

When asked, for example, in a Nazi census whether they spoke French or German, 99 per cent replied that they spoke Letzeburgesch, the Luxembourg language.

The German invaders regarded the Luxembourgers as German and thus forcibly recruited those who were of fighting age.

The role of those Luxembourgers who fought for the Germans remained a controversial political issue until well into the 1980s.

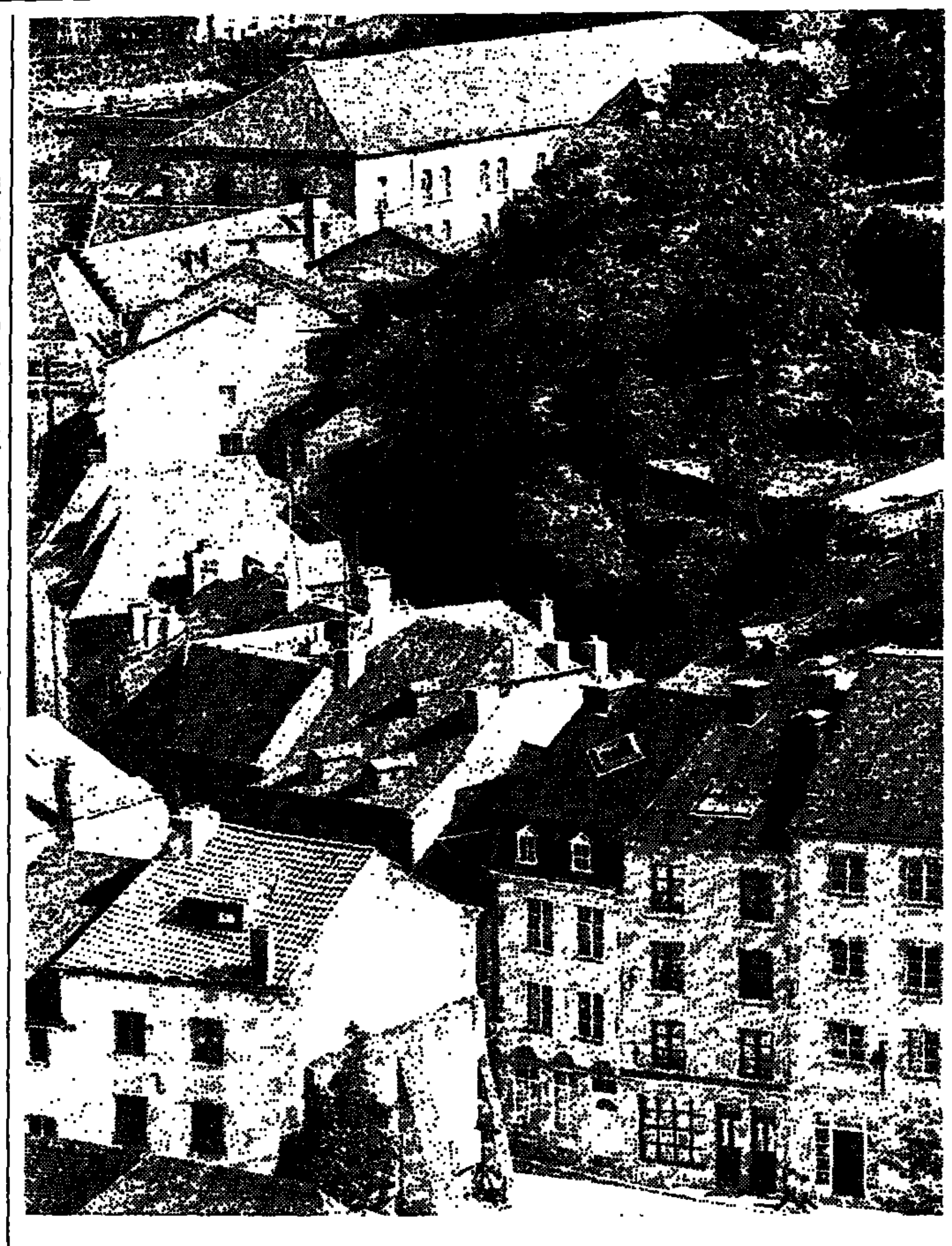
A political party which was representing the German recruits, who were supposedly discriminated against in various subtle ways in Luxembourg, even held the balance of power for a while.

Modern Luxembourg has, of course, learnt to live alongside the Germans again and its trade links with Germany are stronger than those with France. But the 20th century has left its scars and Luxembourgers are sensitive about being considered "basically" German.

The country has also learned to live with German re-unification, but without enthusiasm. Mr Francois Heisbourg, Director of the International Institute for Strategic Studies in London, and himself born in Luxembourg, says: "I think the Luxembourg attitude is rather like the Dutch.

"They accept that they have to live with it but they do not want to talk very much about it, at least in public, for fear of causing pointless offence. But they are certainly not unification enthusiasts."

David Lloyd



Residences in Luxembourg City: investment in housing is up 70 per cent this year

Luxembourg population breakdown	1948	1961	1971	1981	1988	1990
Total population	291,000	315,000	340,000	365,000	372,000	378,000
Luxembourgers	262,000	273,000	277,000	269,000	273,000	274,000
Foreigners	29,000	41,000	62,000	96,000	99,000	104,000

The economy is still running on a smooth path

Clouds no threat to general fair weather

THERE MUST be few governments that can afford to hand back to their people nearly 5 per cent of gross national product in terms of tax breaks and increase public spending at the same time without damaging the public sector finances.

Yet little Luxembourg finds itself in that happy position. It has just announced a plan that will cut revenues by about LFr13bn this year and LFr14bn next year, will increase public investment in roads and housing, provide for large pay rises in the public sector – and will still end up with the budget surplus that is traditional to Luxembourg.

The tax reform, which comes into effect next year and which will mean lower taxes for both individuals and companies, is just another bit of the good economic news from the Grand Duchy. Indeed, for the past five years there has been almost nothing but good news – however, for the first time since the mid 1980s there seem to be a few dark clouds overhead.

The first is steel, which still accounts for some 8 per cent of Luxembourg's GNP. After several profitable years, the industry is now turning down, and government economists fear that output in value terms could be down by some 10 per cent this year, which alone would knock some 0.5 per cent off GNP.

However, both the steel industry and the government are doing their best to cope with this heavy dependence on one industry. Arbed is going into joint ventures both overseas – with the Yates group in the US for example – and closer to home with a planned joint venture with the Belgian steel company Cockerill Sambre.

Meanwhile a policy of diversification into other areas has been successful – partly thanks to success in encouraging other industries to set up in the Grand Duchy. Steel is now only one third of manufacturing output, compared to over 70 per cent in 1960.

Other industry in Luxembourg is still profitable, so that in spite of the difficulties being met by steel, industrial productivity this year is likely to match last years' record levels.

There are international worries. Little Luxembourg is heavily dependent on the economy of Germany, which is its most important trading partner. The heavy strain on the German budget from having to finance unity is likely to put upward pressure on the interest rates of its neighbour, which is less well able to cope than Germany.

There is no sign that the duchy has anything serious to worry about

The rise in oil prices will also cut growth and increase inflation, even though Luxembourg has done much to reduce its dependence on oil thanks to the energy-saving measures taken by the steel industry. Indeed, in 1973 oil accounted for some 17 per cent of Luxembourg's imports, compared to just 10 per cent now.

This year, inflation is likely to rise by about 0.5 percentage points to about 3.9 per cent. While this still looks low compared to the EC average, for Luxembourg it represents the highest level for five years, and compares to the miracle year of 1987, when prices actually fell by 0.1 per cent.

Wages are adding to the general inflationary pressure. Luxembourg is chronically short of labour and, of the 6,900 new jobs created last year, 4,000 came from across the border, 200 from off the dole queues – reducing unemployment to just 1.4 per cent – and the rest from immigration and from a modest annual increase in the size of the work force.

This kind of pressure on the market means that workers can ask for large pay rises and be sure that they get them. Public sector employees have just secured a generous rise of 6 per cent in real terms over the next two years – a rise that is likely to be followed by the private sector.

One new spur to growth is investment, which is set to rise by a staggering 45 per cent this year. Much of this will come from the government, which has decided to prime the fiscal pump with some long overdue projects.

Its housing budget will increased by some 70 per cent in an attempt to do something about the growing housing shortage in the Grand Duchy, while it is planning to increase its investment by about a quarter this year and next on roads and public buildings, with 90 large construction jobs announced.

Consumption will continue to expand, as Luxembourgers feel richer with extra money in their pockets both from higher wages and lower taxes. While there are clouds, there is no sign that the duchy has anything serious to worry about: in all economic growth this year should come to some 3.1 per cent, which is poor against the average of 4.4 per cent over the past five years, but is still better than most other EC member states.

Lucy Kellaway

RELATIONS WITH THE EC

Tall task for smallest state

IT FALLS again to the European Community's smallest member to preside over its momentous restructuring. The two inter-governmental conferences (IGCs) on monetary and political union will have their ceremonial opening in Rome in mid-December with Italy in the chair. But the proper negotiations, and all the pulling and hauling over amendments to the Treaty of Rome, will not start until after Luxembourg (the next, by alphabetic rote) takes over the presidency of the EC Council of Ministers.

By similar chance, the Single European Act was almost entirely negotiated between September and December 1985 during the Luxembourg presidency. That negotiation was bad enough; the December 1985 summit was, for instance, one of the longest on EC record – foreign ministers met first for 12 hours, then prime ministers for 28 hours.

This time, the challenge to Luxembourg's chairmanship is more than doubled by the fact that there are two IGCs to control and each is probably more controversial than that creating the Single Act.

Five years ago, all EC states agreed on the need for more majority voting to forge a common market; the only dispute was whether treaty revision was needed.

Now, the ambitions are far higher – a monetary union in a near-federation that, without yet having a single government, might have a common defence as well as foreign policy. And the divisions are far deeper; for Mrs Margaret Thatcher subsuming the pound sterling into a European currency would be the end of British sovereignty.

If Luxembourg conforms to its reputation of quiet, business-like efficiency, its presidency may come as something of a relief after the high-flying ambitions of Italy. There is nothing in the Community's external agenda, likely to be dominated by the effort to forge a new relationship with the European Free Trade Association (Efta) and the Soviet Union, on which Luxembourg has any axe to grind. Indeed it is a measure of the overall benefit of EC membership to Luxembourg that this city-size country should have a real say on geopolitical issues of such importance.

On only a few items in the IGCs will Luxembourg have problems. One may arise in the political union discussions. Some countries want to give expression to European citizenship by letting all EC expatriates within the Community vote in their host state's local, and perhaps one day national, elections.

Such an electoral franchise is unthinkable to Luxembourg, whose population is 28 per cent foreign, and overwhelmingly from other EC states (especially Portugal).

Of all 12 EC states, the duchy has the least to lose in a European monetary union, having already pooled its monetary sovereignty with Belgium in the inter-war period. It is all the more comfortable with this arrangement since Belgium has this year signalled its intention to link its franc as tightly as possible to the D-mark.

This must suit Mr Pierre Jaans, head of the Institut Monetaire Luxembourgois, the nearest thing the duchy has to a central bank, who started his career in the central banking business by spending several years in the Bundesbank.

Now ambitions are far higher than they were five years ago

Luxembourg will find itself shifting uneasily in the presidency seat if there is a move to extend majority voting (in the Council of Ministers) to taxation. Any such move will make those states, whose taxation structure is furthest from the EC average, feel very exposed.

While Denmark's rates are at the top of the indirect tax bracket, Luxembourg's are near the bottom. Luckily for Luxembourg, it will not be the only EC state to want to retain the unanimity rule on fiscal matters.

Nonetheless, outside the IGC and in the ordinary course of EC business, the Luxembourg presidency will have to keep the Commission's proposals for VAT and excise rate approximation in front of the Council; much as Luxembourg might like to bury the whole EC dossier deep in the Ardennes, it cannot be seen to try to do so.

Another fiscal fiend that may return to haunt Luxembourg is a minimum EC-wide withholding tax on income from savings and bonds. This Commission proposal died in 1989 because of the combined opposition of Germany, the UK and Luxembourg. But some countries, such as Spain, and possibly France and Italy, may raise the issue once again during negotiations at the IGCs.

They fear that, in an economic and monetary union without any capital controls or exchange rate risk, money will drain away to havens, such as Luxembourg, which impose no tax on non-resident depositors.

One of the general maxims of Luxembourg diplomacy is that it, of all the EC twelve, cannot afford to stand alone against the other 11 members. Implicit recognition of this exists in the rules on what constitutes a qualified majority in the Council of Ministers. Luxembourg has only two votes. Thus, the blocking minority of 23 votes can be composed of two larger countries (10 votes each) and any other country – but not Luxembourg.

However, last year Luxembourg strongly resisted pressure from the other 11 for easier co-operation between tax authorities. The duchy has not, in the end, baulked at reinforcing judicial co-operation in cases where serious fraud is suspected. It has signed the wider Council of Europe convention, which requires Luxembourg to furnish help requested by courts in other countries.

The other sticking point for Luxembourg has been the old war over the location of EC institutions, which France has stirred into life again by trying to get Strasbourg enshrined forever as home to all plenary sessions of the European Parliament.

As the result of the "provisional" share-out of institutions agreed upon in 1965, Luxembourg already has anything that is in nature judicial (the Court of Justice), financial (the European Investment Bank) and a mix of the two (the Court of Auditors).

But Luxembourg is also still home to some 2,400 staff of the European Parliament, who must trek north to Brussels for all Parliament committee meetings and south to Strasbourg for plenary sessions.

The government has said it will discuss their possible departure, as part of any final decision on a single home for the Parliament (where the main tussle is between France and Belgium), but only if it gets compensation. Citing its "financial and legal vocation", Luxembourg has asked for the mooted EuroFed central bank and for the long-planned Trademark office. This is one EC battle which Luxembourg clearly intends to fight with tooth, nail and precedent.

David Buchan

The duchy, often swapped, sold or annexed, values independence

'Un petit parmi les grands'

WHATEVER HAPPENED to a fortress over a gorge called Lucilinburhuc? It became the Grand Duchy of Luxembourg which last year celebrated 150 years of independence.

Today Luxembourg prides itself on its international role, especially within the EC. For such a small country it is remarkably determined to *maintain* the *independence* that it has spent the better part of the past 150 years gaining from neighbouring states.

The origins of Luxembourg date back to at least the 10th century but its history as a pawn on the chessboard of Europe starts in 1443 when Philip, the Good Duke of Burgundy, conquered the duchy. In 1477 the marriage of his granddaughter, Marie of Burgundy, to Maximilian of Austria, brought Luxembourg into the hands of the Habsburgs.

Thereafter, Habsburg emperors styled themselves (among other things) dukes of Luxembourg. For the next 300 years or so the duchy was part of the Lowlands within the Habsburg empire. During this period it had its own provincial government responsible to the central administration in Brussels.

Napoleon's conquest of the Lowlands briefly integrated Luxembourg into the new system of French Departments. But Napoleon's exile to Elba and the manoeuvres of the Congress of Vienna in 1815 transformed Luxembourg into a Dutch holding.

As part of the terms of the congress, King William of the Netherlands gained control over the lowlands as a bulwark against France. At the same time, some of his German principalities, as well as other territories were allotted to Prussia. King William demanded Luxembourg as compensation and was given the "freehold and sovereign rights" which to this day belong to the Dutch Royal Family. He acquired the title of Grand Duke of Luxembourg.

The Congress of Vienna also determined that the duchy should become part of the new German Federation, establishing certain commercial links to Prussia and smaller German states. Prussia was also allowed to set up a garrison in the city of Luxembourg so, although under the military protection of Prussia, the provincial government owed its political allegiance to the Dutch monarch.

The Belgian revolution against King William brought Luxembourg into direct conflict with its proprietor. Luxembourg was all too willing to become a province of a new Belgian state. But when Belgium became an independent sovereignty in 1831, William of Orange was keen to keep at least some of Luxembourg to himself.

The duchy was divided eight years later according to the terms of the Treaty of London. The greater francophone area became a Belgian province while *the south east corner* including the city of Luxembourg and the Prussian garrison was retained by the Dutch King.

The origins of Luxembourg date back to at least the 10th century

A reluctant minority of Luxembourgers found themselves politically isolated but linguistically and culturally unified in the partitioned duchy. The new Dutch monarch and Grand Duke William II believed that Luxembourg should be ruled by Luxembourgers and let the people develop some form of self-government.

Belgium, having acquired its own Luxembourg province, did not seek to strengthen its trade relations with the Grand Duchy. The duchy, recognising its lack of economic power, was eager to have a larger trading partner on whom it could depend. So, in 1842, Luxembourg took a further step in its relations with Prussia by joining the German Customs Union (Zollverein).

The importance of Prussia to the economic development was enormous. To this day, the Germans run the country's main train system, the Wilhelm-Luxembourg railway.

German unification under Bismarck and the ascendance of Prussia over Austria as a military power in 1866 raised new problems about the status of Luxembourg.

Although part of the Zollverein, Luxembourg was Dutch territory, neither willing nor able to directly join the Prussian-led Northern German Federation. Furthermore France under Napoleon III was wary of Prussia increasing its domain by gaining Luxembourg.

Napoleon III became obsessed with the idea of buying Luxembourg for France as a way of containing Prussia's power both in Europe and further east. In 1867, Prussia tried to assure France of its good intentions while avoiding any concessions on the Grand Duchy. To this the French Foreign Minister, Moustier responded: "You offer us spinach without salt. Luxembourg is the salt."

Napoleon III nearly managed to pinch the salt through a secret bill of sale from William III of Orange. But William III thought better of the deal and confessed all to Bismarck. A political storm broke out in Prussia and the sale foundered.

As Franco-Prussian tensions mounted, the great powers met again in London in 1867 to settle the Luxembourg affair once and for all. Under the terms of the treaty, Prussia withdrew its garrison from the duchy and its neutrality was to be guaranteed by all the signatory countries.

Luxembourg remained the Dutch King's property, politically self-governing but economically dependent on Prussia through the Zollverein.

William III died in 1890 without an heir. The Grand Duchy passed to Adolphe Duke of Nassau-Weilbourg through a long-standing family pact among the various branches of the House of Nassau. His heirs have held the title of Grand Duke or Duchess of Luxembourg since then.

The political and economic status quo established in 1867 was maintained until the first World War. In 1914, however, Germany took over Luxembourg. At the end of the war, owing to this violation of its neutrality, Luxembourg renounced its membership in the Zollverein.

Deprived of *this powerful* relationship the duchy had to look for new partners. Rebuffed by France, Luxembourg turned to Belgium. In 1921 the Belgium-Luxembourg Economic Union (BLEU) was agreed. The new alliance not only established a customs and tariff union but a common currency; the Belgian franc.

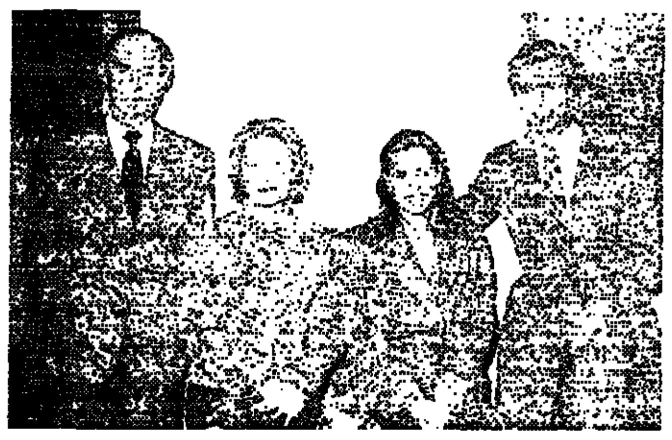
In 1939, on the eve of a second German invasion, Luxembourg decided for the first time in its history to hold a special celebration of its independence. Soon after, the Germans annexed the country, the Grand Duchess fled into exile and Luxembourg suffered occupation for the rest of the war.

Since the end of the war, Luxembourg's terms of statehood have remained unaltered but its economic and political orientation has widened away from its immediate neighbours and towards the EC as a whole.

When last year 150 years of independence was celebrated, the festivities emphasised the role Luxembourg plays in international affairs and institutions. This time none of the traditional great powers showed any intentions of selling, swapping or annexing the Grand Duchy.

As the Luxembourg President stated, the independence of *Luxembourg* is no longer challenged and the Grand Duchy exists as "un petit parmi les grands".

Eugenie Maechling



Luxembourg's Royal Family: (left to right) Grand Duke Jean, Grand Duchess Josephine – Charlotte, Princess Maria Theresa and Prince Henri

KEY FACTS

Area	2,586 sq km
Population	380,000 (1989 estimate)
Head of State	Grand Duke Jean
Currency	Luxembourg Franc (LFr), tied to Belgian Franc
Average Exch Rate	1988 $1 = LFr36.77
	1989 $1 = LFr39.40

ECONOMY

	1988	1989
Total GDP ($bn)	7.6	7.5
Real GDP growth (%)	5.0	4.0
GDP per capita ($)	20,582	19,768
Components of GDP (%,1987)		
Private Consumption	56.2	
Gross Fixed Investment	23.8	
Increase in Stocks	1.9	na
Government Consumption	16.3	
Exports	96.9	
Imports	-95.1	
Main Trading Partners by % of. total value (Belgium and Luxembourg Economic Union)		
Exports		
France	20.0	20.4
West Germany	19.5	18.7
Netherlands	14.7	13.4
EC	82.2	73.6
Imports		
West Germany	24.5	23.5
Netherlands	17.8	17.6
France	15.4	14.9
EC	73.1	71.4

Source: IMF, Eurostat, Economist Intelligence Unit

A shipping register means the country has new service to offer

Fleet for a landlocked state

A LUXEMBOURG fleet sounds an unlikely idea for a country of lakes and mountains but no known coastline.

That, however, is exactly what is about to be created thanks to the recent passing into law of the Grand Duchy's new shipping register.

Luxembourg has long dreamed of cashing in on the growing global pressures for "flagging out" – the term for shipowners in industrialised countries who opt to register their vessels where bureaucratic regulations and tax are kept to a minimum – but by providing a respectable alternative to the flags of more exotic locations like Bermuda and Panama.

Many see the Registry as a natural "add on" to the Grand Duchy's growing financial services sector, pointing out that other activities such as banking and insurance will be complementary and that new areas such as ship finance and ship broking can be developed.

The basic idea of the legislation is to enable Luxembourg to compete with centres such as Cyprus which have growing "offshore" ambitions, but to avoid the criticism levelled at others of providing gaping loopholes for shipowners to avoid their social and fiscal responsibility.

The first "clients" will probably be Belgian shipowners

Talk in Brussels of creating a European Community shipping registry has gone quiet in recent months but Luxembourg considers itself well placed to don the mantle of "Euros" if and when the day comes.

In the meantime the first "clients" will almost certainly be Belgian shipowners such as Ahlers and CMB of Antwerp which now seem virtually committed to "flagging out" to their tiny EC neighbour. CMB has already opened an office in Luxembourg.

Lower corporate tax, lower tax obligations for the crew, and lower social security payments are among the anticipated advantages – on top of which the Belgian government will probably continue for the moment to pay subsidies.

Defecting to Luxembourg, so the thinking goes in (Belgian) Brussels, is better than flagging out to a flag of convenience when the ships involved may be operated from elsewhere.

Under Luxembourg rules, however, shipowners will have to show a serious presence in the Grand Duchy with the result that functions such as the fixing of voyages, and the hiring and paying of crews may have to be seen to be undertaken there. Management policy, of course, can continue to be determined elsewhere.

Luxembourgers dismiss the idea that their new scheme is bizarre. Experts point out that any state, whether or not it has a coastline, has the right to permit ships carrying *its flags* to navigate on the high seas. Other inland countries such as Hungary and Czechoslovakia have been running their own fleets for years.

THE JAPANESE PRESENCE

A strategic EC video base

JAPANESE companies do not invest in Catalonia just because their executives happen to like the local food and the golf courses. But good living and leisure do help.

When Mr Taguchi, who runs the Bank of Tokyo's Barcelona branch, entertains potential clients arriving from Japan he takes them first to a showpiece plant, such as Sony's and then, over a meal of Mediterranean fish in a picturesque coastal restaurant, he tells them about the golf tournaments that the city's Japanese community stages once a month.

He explains, how Barcelona's Suyokai association, which group's senior Japanese executives, is responsible, among other briefs, for a Japanese school in one of the city's suburbs that is soon to be enlarged to take 200 pupils, double the present number.

Industrial investment is fundamentally based not on amenities and lifestyle but on other criteria and this is why the Sony Barcelona factory is a good starting point.

It won the Sony plant of the year award in 1989 and has announced a Pta10bn investment to expand its production of video and colour televisions.

Mr Taguchi believes that his particular stamping ground in Spain offers specific attractions to a certain type of Japanese industrial investor.

Catalonia, which is home to a Sharpe plant and to a Sanyo research and development centre, has become the strategic base for Japan's video industry in Europe, he says.

Catalonia does get brickbats. Labour costs in Greater Barcelona are only slightly lower than they are in Britain and Germany. It is difficult to find fluent English speakers. And, says Mr Taguchi, obtaining residence and work permits for non-Spanish employees is "a chronic nightmare".

Mostly he awards the area handsome bouquets: "There is a high degree of working skills and, more importantly, of mentality and motivation. The mentality here is very Japanese – a job is not just a source of income, it is a source of pride and people work after hours if the job is not completed."

The next bouquet involves the widely accepted belief that Spain is a good entry point to the European market and that Catalonia, thanks to its communications and its frontier with France, is by far the best springboard in the country.

Ms Eri Nemoto, a Japanese born official who runs the Generalitat's department for industrial links with Japan, dismisses the golf greens and the gastronomic delights as "cliches" but she stresses an enthusiasm for work that ensures a superior cost performance.

"Japanese companies," says Ms Nemoto "find a motivation in Catalonia that they don't encounter in Scotland and in the south of France."

At the last count, 87 Japanese companies were located in Barcelona, this represents more than half the number of Japanese companies based in Spain. Catalonia does not offer financial and fiscal incentives to industrial investors, whereas subsidies of up to 70 per cent of the outlay are available in Spain's depressed areas.

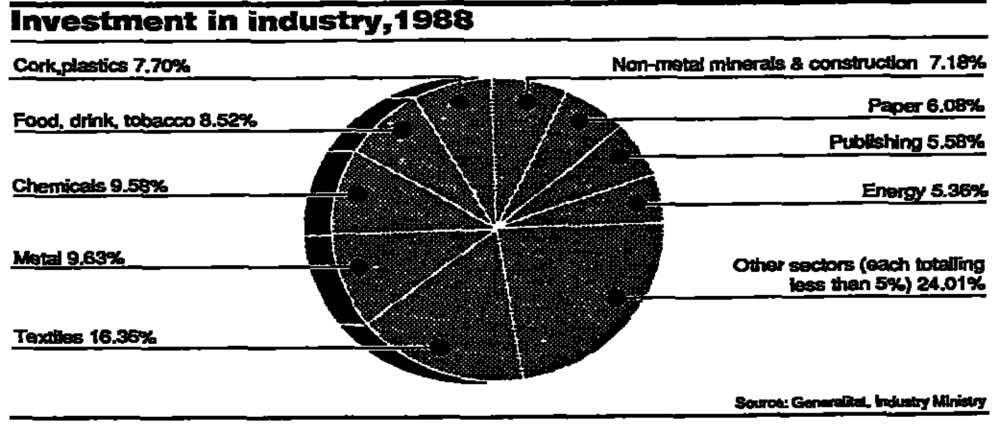
The absence of official incentives is more than offset by the extensive range of manufacturing centres and trained personnel in Catalonia and by the expert job that the Generalitat does in promoting what Ms Nemoto calls "the area's industrial texture". One of her department's best products is its database of locally manufactured machine tools and components.

Mr Jordi Pujol, Generalitat president, had long made Japanese investment a priority. He has had a Generalitat office set up in Tokyo and has twice visited Japan at the leading large business delegations.

Mr Pujol's preferred sales talk is about how Nissan turned Motor Iberica's loss-making plant in Barcelona into one of Europe's top centres for four wheeldrive vehicles and light vans. "Nissan'" says Ms Nemoto, "is a constant reference point for every Japanese investor."

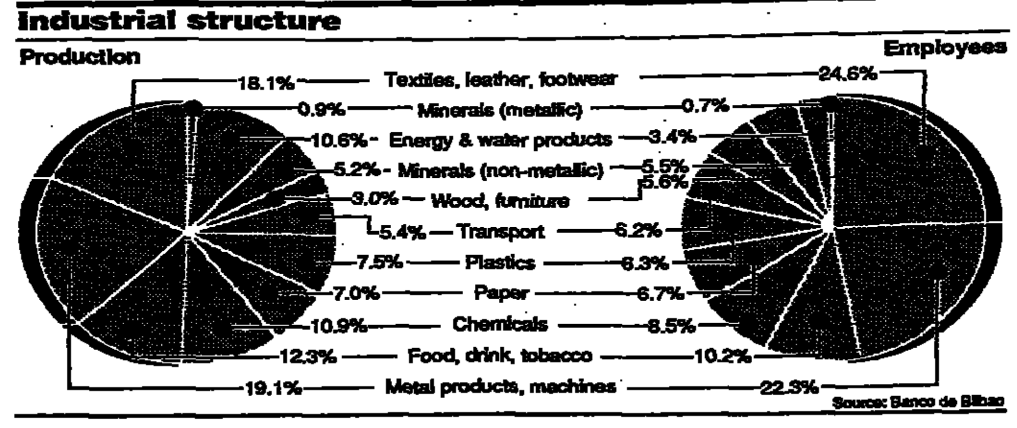
Tom Burns

Investment in industry, 1988



Source: Generalitat, Industry Ministry

Industrial structure



Source: Banco de Bilbao

Gary Mead looks at how industry is opening a window of opportunity that faces the rest of Europe

Powerhouse primed for foreign investment

CATALONIA'S future prosperity is inextricably linked with the development of Europe and the European Community as it is one of Spain's industrial powerhouses.

Visitors to Barcelona may think that, as far as its industrialists are concerned, Catalonia is not a region of Spain but a European country. That public awareness of Europe is fed by what is seen by some as a controversial poster campaign, staged by the Generalitat, which has the slogan; "Catalonia, a European country."

Catalonia has slightly less than 16 per cent of Spain's population but it generates about 20 per cent of the nation's gross domestic product. That rises to 27 per cent, if industrial GDP alone is considered.

In 1989, 38 per cent of foreign investment in Spain headed towards Catalonia, says Mr Lorenzo Gazcón, who, based in Barcelona, is national vice-chairman of the employers' association (Fomento del Trabajo) and president of the European League of Economic Co-operation. However, as much of the region's economy is still *negro* – unofficial – completely accurate figures are difficult to come by.

Catalonia's industry is a paradox; crowded with hundreds of small, family companies which not only lack the capital resources to expand but also would not care to do so. The region has become a prime site for foreign multinational investment.

Catalonia's geographical location, its proximity to France and Italy, and its lengthy history of economic development, should mean that it continues to dominate Spanish industrial output after the EC becomes a unified market in 1992.

Within Catalonia's GDP, industry accounts for 40.6 per cent, services 56.8 per cent, and agriculture 2.6 per cent. The large industrial employers; textiles and construction, each with about 18 per cent of the workforce, are, along with the tourist sector, suffering the worst effects of an economic recession.

The most obvious sign of recession for Catalans has been a slump in tourism. Some 350,000 people, roughly 14 per cent of the working population, are employed in the region's tourist industry. Between 1951 and 1989 the number of tourists visiting Spain increased 43 times, from 1.26m to 54m – many of them attracted to Barcelona and the Costa Brava.

For Mr Gazcón, Catalonia has "been the Spanish autonomous region which has benefitted most from membership of the EC," though that has not staved off what he describes as an "economic crisis." But the severity of any crisis depends on your standpoint. Catalonia's GDP grew by 5.3 per cent in 1987 and 5.6 per cent in 1988, fractionally higher than Spain. After such good times any slow down is liable to take on an exaggerated aspect.

"The Spanish government has been given an excellent excuse, the Gulf crisis, because everything bad which has already happened can be blamed on the Gulf. That isn't true; the Gulf has just made more complicated a situation which was already bad," is Mr Gazcón's sharp dismissal of a fashionable catch-all scapegoat for economic unease.

In his opinion "there is a generalised crisis mentality" in Catalonian industry today. This is compounded by the proposed lifting of remaining protection from Spanish industry within the EC, by 1993; the possibility of foreign investment being attracted away from Spain towards awakening central and eastern Europe. Added to this is the realisation that Barcelona's 1992 Olympics is likely to be seen as a tremendous but rather costly party (Pta80bn of Generalitat's money) which the guests contributed little towards. For Mr Gazcón, January 1 1993 is "like the sword of Damocles."

"Interest rates are too high; we have a fatal exchange rate; excessive tax pressure; reduced foreign investment is likely; difficulties with exports; shrinking tourism – would you like some more gloom," continues Mr Gazcón.

While his job appears to require a greater degree of optimism, Mr Antoni Subirà, minister of industry and energy in the Generalitat, is hardly less concerned at the immediate future for Catalan industry.

"There is an atmosphere of recession in Catalonia which is partially justified. There are some industrial sub-sectors, particularly in textiles, which have difficulties. But they are sectors which are passing from being labour to capital-intensive. There are sub-sectors of textiles which are doing extremely well; in the last five years in particular the silk, artificial silk and garment industries are doing well."

One of the priorities for Mr Subirà is to ensure that Mr Gazcón is proved wrong in one prediction, that Catalonia will start to lose its charm for the foreign investor, who may head towards eastern Europe. In the first quarter of 1990, the region took the lion's share of foreign investment in Spain, with 29.07 per cent of the total (more than Pta105.5bn).

To that end Mr Subirà points out: "There is no legal, bureaucratic, nor economic barrier against the foreign investor, who faces the same conditions as any indigenous investor. We have various organisms dedicated to attraction of foreign investment, one being CIDEM (Centro de Información y Desarollo Empresarial), which promotes industrial zones in the region."

Mr Subirà maintains that, in spite of rises in relative costs, "fresh foreign investment is being attracted here. The Swiss multinational chemical Givaudan has concentrated its production in three areas; Switzerland, the US, and in Catalonia, some 20 km from Barcelona." The most spectacular investment has been the Japanese, who have concentrated their Spanish industrial investment in Catalonia. Of almost 20,000 jobs created by Japanese companies in Spain in the last few years, 17,000 are in Catalonia.

Traditional forms of ownership remain strong, writes **Peter Bruce**

Catalans keep it in the family

ALTHOUGH they made money as merchants and textile producers during Spain's colonial period, the Catalans were never as rich as, say, the grand land owners of Andalucia. Catalan banking never amounted to much and neither have its capital markets.

But the same could be said of the Bavarians and Swabians in southern Germany. They, like the Catalans, have evolved tightly knit productive units, mostly families dedicated to single products and markets and which form probably the most cohesive industrial units in either Germany or Spain.

Catalonia is an industrious place, almost theatrically so. Savings banks thrive. Profits are ploughed back into the company. Everyone complains about taxes. The quality of goods is usually superb.

Three companies epitomise this humble Catalonia. Vichy Catalan bottles one of the world's truly delicious gassy waters. Freixenet makes cava, the Spanish champagne. Miguel Torres is one of Spain's finest bodegas. All three have fought to be where they are.

Vichy Catalan, for example, has been under attack by the French Vichy water producers for almost a century. Latterly Perrier has been trying to wrest the company's right to use the Vichy name on its product in Spain. Catalan courts, though, have smiled on their hometown water.

The company was founded in 1881 after a doctor persuaded Catalan businessmen to invest in a spring of bicarbonate-rich water near the French border. Vichy Catalan has since followed the course of spring waters everywhere – from medicinal to fashionable. In 1984 the company sold about 64m bottles in Spain; this year, it will sell around 225m bottles.

Bubbly Vichy Catalan is not responsible for all of that. The company, under its long serving chief executive, Mr Joan Renart, has made important acquisitions among still and gassy water rivals. Market growth has been breathtaking, with sales growing 50 per cent a year, but Vichy Catalan managed to take 51 per cent of the 1.7bn litres of water sold in Spain in 1989.

"Because of the huge demand at home almost all our investment is aimed at this market", says Mr Renart. Sales are about Pta6bn a year.

The dilemma at Freixenet in the Penedes plateau, just behind Barcelona, is different. Its product, Cava, is as good an approximation of champagne as could be imagined.

But 15 years ago Freixenet, owned by the Ferrer family since 1830, was struggling to sell its product in the US. Its broker there was buying 1,500 cases a year and Spanish products had a bad name. Mr Manuel Duran, then commercial manager, remembers a trade fair where the Italian stand had a Ferrari parked in front of it. How could Spain compete?

For six years he hired exclusive distributors in each of the country's states and today Freixenet sells more than a million cases in the US a year, easily outstripping the amount of real French champagne Americans drink. Exports account for 75 per cent of production against just 12 per cent in 1975. Europe, Mr Duran admits, has been much tougher going, though it now accounts for 50 per cent of sales.

At the Miguel Torres bodegas nearby, the Germans, at least, are not that much of a problem. Mr Torres' 80-year-old wife is German and looks after the Teutonic market. Everyone pitches in. Daughter Marimar runs the US vineyards and market. Another son is the chief winemaker. Some 40 per cent of production is exported and the introduction of cooler fermentation in large steel vats instead of oak casks has saved the wines time, money, and, the family says, aroma.

Torres are widely known in Spain for their white wines and brandies. The company turns over Pta8bn a year "with an almost non-existent advertising budget", says Miguel Torres jnr, the winemaker. That says a lot for the family's dedicated marketing. "We have to create demand," Mr Torres says, "that way we can finance ourselves and survive as a family company."

Such sentiments are rare in western Europe, where family companies are being destroyed by internecine squabbles, lack of filial interest and poor capitalisation. In Catalonia, though, the family tradition is strong.

Steel market slowdown begins to take effect

Arbed prepares to meet leaner times

ARBED'S PROFITABILITY miracle could not go on for ever; and now it seems to be over. For the past three glorious years, Luxembourg's biggest and best known company has enjoyed the joint benefits of a strongly rising steel market and of previous rationalisation efforts coming good.

Since the beginning of this year the froth has been knocked off the top of the steel market, and all European steel companies are having to take a hard look at their operations to see if they are ready to face a tougher future.

For Arbed, the problem is all the more acute as the company forms such a vital place in the country's economy.

Despite the radical pruning of its operations – in which it has shed two thirds of its workforce at a cost of some LFr50bn – and despite the breathtaking success of Luxembourg's banks – steel still amounts to some 8 per cent of the Grand Duchy's gross national product.

That might be nothing compared to the 35 per cent that it made up in the 1950s, but it still means that every time the steel industry suffers, Luxembourg suffers with it.

So far this year, Arbed has reported a fall in profits from last year's record levels, and the prognosis is not good. For the first six months of the year, it made net profits of LFr6bn which represents barely a third of its profits for the full year in 1989.

Government economists forecast that the troubles are only just beginning and fully expect steel output in value terms to be down by around 10 per cent this year. Profits could be worse hit still, and according to some analysts, a fall of some 40 per cent can be expected in the figures for 1990.

Every time the industry suffers, Luxembourg suffers with it

This is grave, but not calamitous: there is no question of another recession in either the steel industry, or at Arbed itself, of the sort witnessed ten years or so ago.

Throughout the end of the 1970s, and for much of past decade, Arbed was losing LFr2bn to 3bn a year in steel. Now it is more than three times as efficient as it was before: today it takes a little over three man hours to make a tonne of steel, compared to about 10 in 1975.

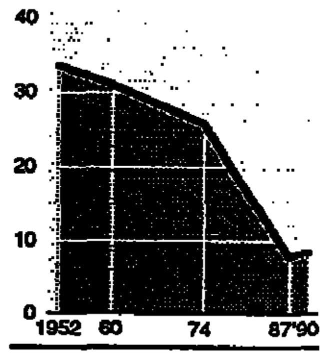
This picture is common to all the steel producers in Europe. In terms of efficiency, Arbed is slightly ahead of some, and slightly behind others overall, although its steel products subsidiary in Gent, Sidmar, is as efficient as any in Europe.

The company is now contending with two serious difficulties – how to strengthen its position in steel and how to add other businesses in order to make it more diversified. Arbed has decided that, as the market becomes increasingly tough, there is less and less to be said for being a medium sized producer and that big means beautiful.

The industry is likely to have to go on making ever larger investments to keep up with the pace of technology – and to be able to be more efficient in marketing. With this in mind, it has been busily negotiating a number of joint ventures, some with more success than others.

Steel industry

as a percentage of GNP

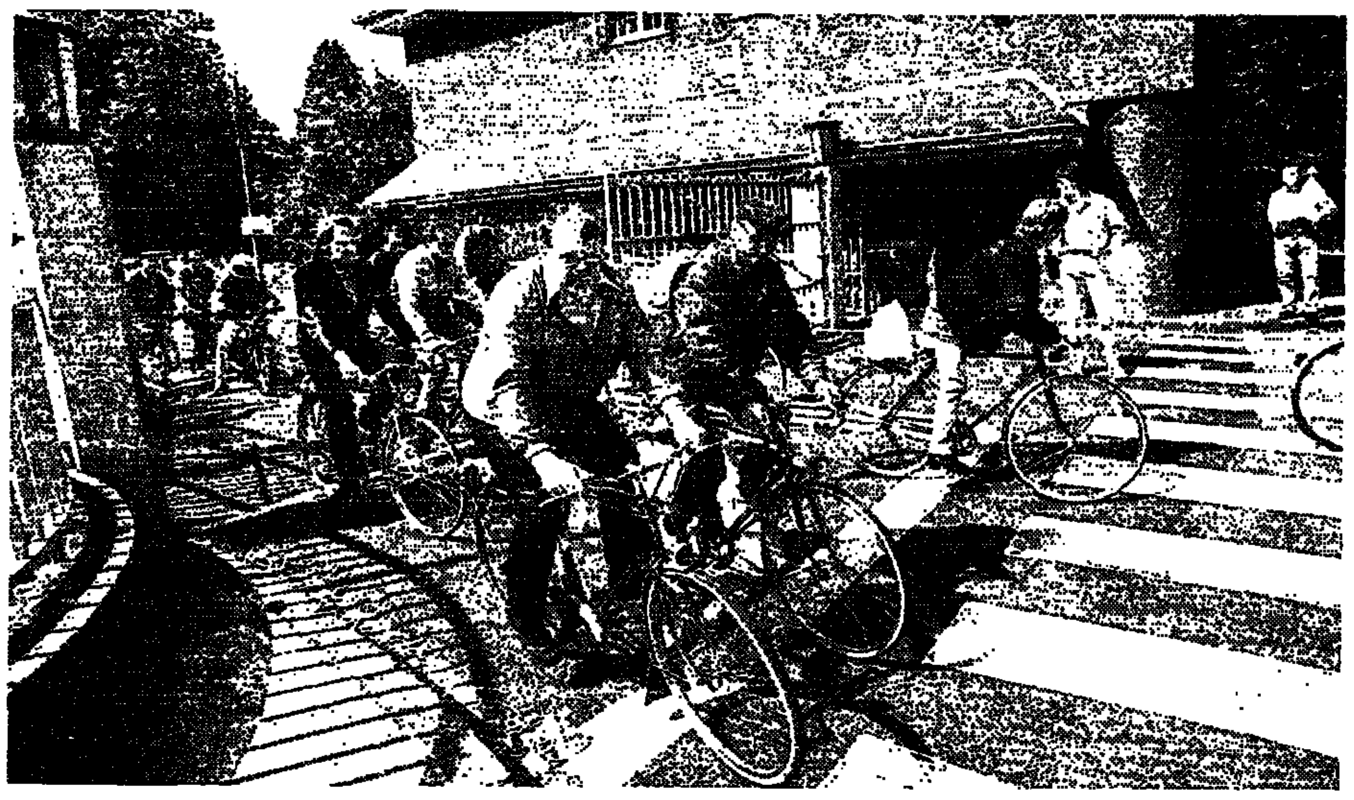


In August it announced plans for a big joint venture in flat products with its Belgian neighbour, Cockerill Sambre, that would have made it the third biggest operator in Europe in that market.

Since then there has been a deadly silence and, although talks are still going on, the outcome may be more modest than was initially predicted. In the meantime, it has announced plans for another big joint venture with Usinor Sacilor, the giant French steel maker, for the marketing of steel beams.

The other aim, diversification away from steel, is going slowly in Arbed's usual conservative way. The most important deal so far has been that made with Yates Industries of the US, a maker of copper circuit boards, which was tied up last year.

This deal is typical of the future direction that the company plans to take: moving into areas that are related to steel, and involve some of the skills that the company has already, either in terms of technical knowhow or in marketing skill.



Glyn Genin

Arbed Steelworkers: as part of a radical pruning of operations the company has shed two thirds of its workforce

By the turn of the century the company hopes that a significant part of its profits will be derived from non-steel activities.

However, in spite of the company's efforts, the stockmarket is looking on with little enthusiasm. The shares have fallen to barely LFr3000, almost half their value a year ago, when the steel surge seemed set to go on rolling forever.

It is not only the company that is diversifying. The country is doing likewise. As steel has shrunk and the banking sector has grown, the danger has arisen that Luxembourg will be left with no manufacturing industry at all.

Instead the country has done its utmost to attract businesses from outside – so far with some considerable success. Last year it clinched a deal with TDK of Japan worth some LuxFr5bn.

Now the factory has been built, and production is due to start soon. Although this year the TDK triumph has not been repeated, large solid investments are still coming in.

Lucy Kellaway

PROFILE: The EIB

Conservatism characterises bank's record

The European Investment Bank	1988	1989
Total lending during the year	10.2bn	12.2bn
Loans within the EC	9.5bn	11.6bn
Loans outside the EC	700m	600m
Funds raised during the year	7.6bn	9bn
Balance sheet total	49.1bn	55bn

Source: EIB Annual Report

IN A COUNTRY where all banks are shy, the European Investment Bank is perhaps the shyest. Tucked away in the Kirchburg, the rich Luxembourg ghetto that houses its European institutions, the bank is getting on with its business peacefully far from the public eye.

The bank would appear to have nothing to be shy of. Indeed, there can be few commercial banks in Luxembourg or elsewhere that do not look at its loan book with envy. The EIB in all its 32 years' existence has had only one bad loan – and that was a little matter of a some Ecu300,000 (£208,200.00) to a misguided hotel project in Germany.

The EIB has accepted the role of adviser to the EBRD

Outsiders might wonder what is happening when the EIB – a development bank which by its nature should imply a certain amount of risk – seems to have a far safer portfolio than most commercial banks, which are meant to be treading safely to protect their depositors. More unusual still, the EIB, which is a non profit organisation, seems to be extraordinarily profitable. Last years figures reveal an operating surplus of some Ecu800m, a more than respectable 14 per cent increase on the previous year.

The EIB cannot be blamed for its conservatism, which is built into its statute. The bank is hemmed in by much stricter solvency and reserve asset ratios than the commercial sector. There are also firm limits on specific projects, and most important of all, every loan it undertakes is fully secured. The EIB runs a matched loan book, taking no interest rate risks, and no foreign exchange risk, borrowing and lending in the same currency.

Since the ground rules for the bank were laid down in 1958, world capital markets have changed beyond recognition: so one wonders if the EIB has outlived its useful role. Not so, says Mr Ernst-Günter Bröder, the bank's chairman. The EIB still helps fill gaps in the market by providing fixed rate borrowing of 20 to 30 years, which is still hard to come by otherwise, and through offering loans made up of a sophisticated mixture of currencies.

Mr Bröder sees no need to change the bank's statute to make it more flexible, and more able to back marginal, needy projects.

He says that in all the loans the bank has ever wanted to finance, the ground rules have never got in the way, and that the necessary security has always been found.

In the longer term, he sees the bank filling a broader advisory role for its clients, becoming more actively involved in the projects and at an earlier stage. "There are enough means of finance in the world," he admits, adding that the real value added of the EIB is the expertise of its highly qualified 700-strong staff.

They should be able to help bring financiers and entrepreneurs together in different countries, giving them advice on everything from financing to engineering to environmental concerns, he says. "We know the Portuguese market a lot better than an entrepreneur in Portugal."

As well as its bread and butter EC lending, the EIB has recently been casting its net further afield. It found itself in the news briefly last year when its shareholders, EC member states, instructed it to lend Ecu1bn to Poland and Hungary. For a month or two, the EIB seemed set to become the development bank for eastern Europe.

However, that role was quickly squashed with the creation of the new European Bank For Reconstruction and Development. Far from grinding its teeth and adding to the bad feeling that has surrounded the creation of that institution, the EIB has taken matters in its stride. It never lobbied for the role and does not seem to have wanted it.

There is no question of competition between the two organisations, says Mr Bröder. The EBRD is structured differently and can take much greater financial risks. Moreover its shareholders come from all over the world, making it a different kind of bank.

Instead the EIB has accepted the role of adviser to the EBRD, and has also become one of its first creditors, with a Ecu10bn loan.

One wonders how the quiet Mr Bröder gets on with his more flashy counterpart, Mr Attali. Mr Bröder laughs but says that "relations are good". So far the EIB has lent money for building railways and gas networks in Poland, as well as for an export development bank. In Hungary most of the money has gone towards a new telecommunications network and to the electricity industry.

Finding projects that are sufficiently profitable in these countries has not been easy, and the three loan officers on the job have had their work cut out for them. Mr Bröder says he is perfectly willing to undertake further lending to eastern Europe, although stressed that he would have to be asked first. Indeed, unless the EIB is told to do so by finance ministers it cannot embark on extra lending outside the community.

Lucy Kellaway

PROFILE: GENERAL MOTORS

Expansion planned

NEW DEMANDS by Europeans for cleaner air coming from their cars and cooler air going into their cars is proving good news for Bascharage, where General Motors has its European Technical Center (ETC).

For all the recent modernisation of steel-maker Arbed, the new investments by magnetic tape-maker TDK and the tyre test centre of Goodyear, high technology is probably more common in Luxembourg finance than in industry.

This is hardly surprising, given the duchy does not have a fully-fledged university. It was therefore particularly welcome that GM decided in June to spend some LFr2bn on *expanding its ETC and doubling the number of specialists there to 300 over the next three* years.

The US car giant has long had a site at Bascharage, *which it used to use for making the jigs and clamps that swing car parts and panels* down production lines. When these became outdated, it decided in 1985 to turn this into a technical centre.

The Luxembourg facility is different from the self-contained design centre which GM's Opel subsidiary maintains in Germany. It is "sponsored" by GM's Automotive Components Group (ACG), which has 10 divisions and 40 manufacturing facilities in Europe.

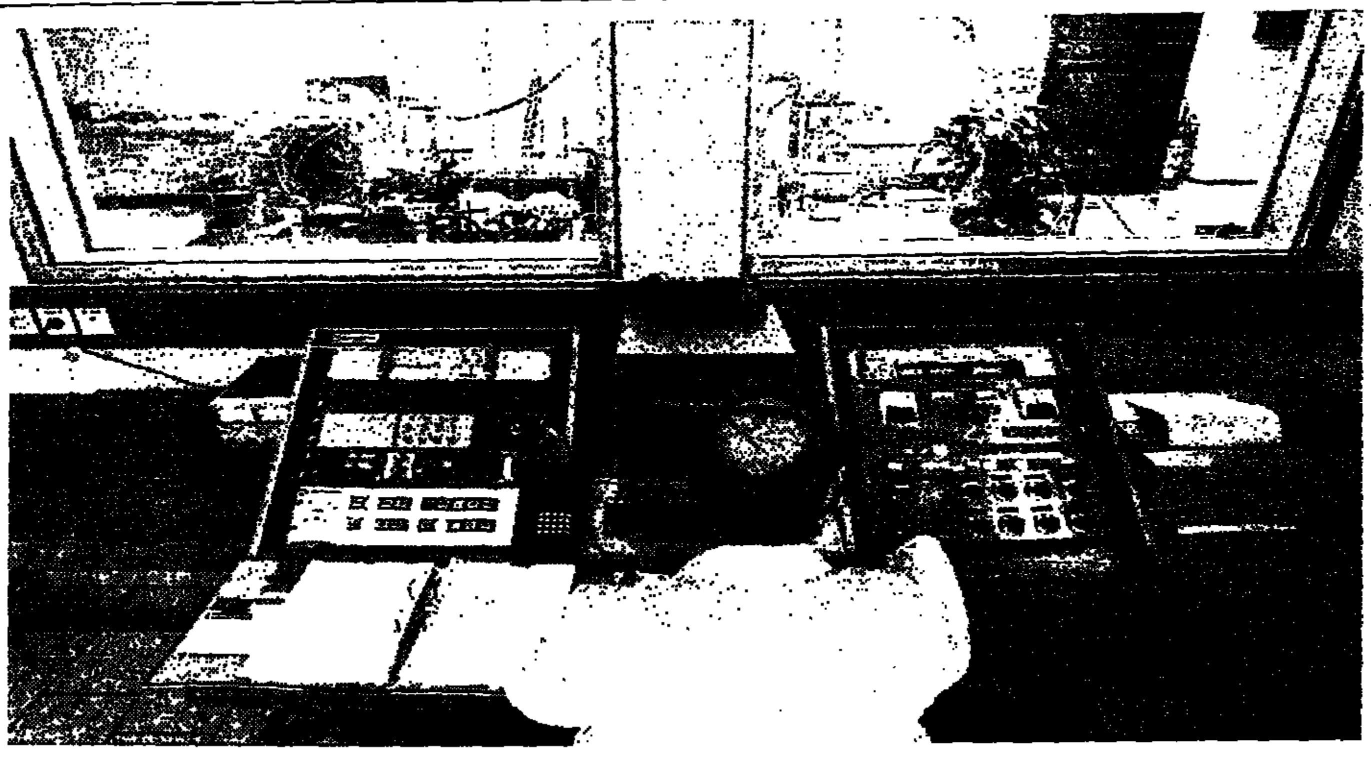
The role of Bascharage is to test, adapt and put together component systems, not only *for GM's ACG companies but* also for certain other European manufacturers; *they use the* ETC on a contract basis, but are *sensitive about being* named as using a competitor's facilities, says GM.

Two special factors lie *behind the Bascharage expansion*. One is the European *Community's push towards* US-style car emission standards, *some of which take* effect as early as next January. In the 1970s GM pioneered much of the technology – catalytic converters and electronic engine management systems – needed to meet these standards and is now trying to capitalise on this in Europe.

The other growth factor is the demand that GM anticipates for air conditioning in Europe. At present, only 10 per cent of *European cars have* this. But Mr Paul Stefens of *GM forecasts that the share of* artificially cooled cars will rise *much nearer the 90 per cent* ratio that exists in the US, as *the market expands in* southern Europe.

"Another reason is traffic congestion in northern *Europe", Mr Stefens says,* "which makes air conditioning *as a way of filtering*, and not only cooling, the air coming *into the car*."

David Buchan



GM's European Technical Center: sophisticated electronic equipment is linked by computer to the US component divisions

Business Facts

Business hours:
Offices. 08.00 – 12.00, 13.00 – 17.00 (Mon – Fri)
Shops: 13.30 – 18.00 (Mon)
08.30 – 12.00, 13.30 – 18.00 (Tue-Sat)
Banks: 08.30 – 12.00, 13.00 – 16.30 (Mon – Fri)

Business languages:
French, English, German

National airline:
Luxair, Luxembourg Airlines HQ
PO 2203

Luxembourg airport
tel: 352 436161
telex: 2372

Useful addresses:
Central Bank
Institut Monetaire Luxembourgeois
Luxembourg City 2983
tel. 352 478865
telex: 2766

Stock Exchange
Bourse de Luxembourg
PO 165
Luxembourg City 2011
tel: 352 4779361
telex: 2559

Chamber of Commerce:
PO 1503
7 Rue Alcide de Gaspari
tel: 352 435853
telex 2784

Government statistics:
Statec
19-21 Blvd Royal
Luxembourg City 1841
tel: 352 21883

Care Hire:
Avis *352 435171*
Europcar *352 435243*
Hertz *352 434654*

Hotels:
Cravat
29 Blvd Roosevelt
Luxembourg City
tel: 352 21975
telex: 2846

Royal Hotel
12 Blvd Royal
Luxembourg City
tel: 352 41616
telex: 2979

Holiday Inn
Rue de Fort
Centre European
tel: 352 437761
telex: 2751

The trend towards deregulation is crucial to success, writes **David Buchan**

Media makes headway in Europe

THE DUCHY'S audio-visual industry is making an impact, not just on the already bad traffic in Luxembourg City when part of a series is made on location, but, more significantly, on the 18m European television viewers who can now pick up at least one programme from the Luxembourg-based Astra satellite.

The two pillars of the industry are the Compagnie Luxem*bourgeoise de Télédiffusion* (CLT) and the five-year-old *Société Européenne des Satellites* (SES).

The latter put its first Astra satellite up in 1989 and plans to put a second 16-channel one, Astra 1B, into orbit next spring. SES is also now planning to launch "a third bird" which is, at this stage, designed as back-up

Demand for Astra channels looks certain to increase, too, with the dramatic merger between the two UK satellite operations, Mr Rupert Murdoch's Sky TV and British Satellite Broadcasting.

It now seems certain that the newly combined company, *British Sky Broadcasting, will* abandon the high-powered *D-Mac satellite system* and shift wholly to Astra, seeking an extra channel on the medium-powered Luxembourg-based system in addition to the four that Sky already has.

Vital to the success of these two companies has been the European trend towards deregulation. Luxembourg strongly supported the "télévision sans *frontières" directive agreed by* European Community ministers in October 1989.

When the directive takes *legal effect in October 1991*, it will ban any EC country from blocking transmissions from other member states as long as they conform to general guidelines which are laid down in the directive (on such issues as decency, length and spacing of adverts). Such legal certainty is essential for pan-European satellite broadcasters such as SES.

It was a Luxembourger, Mr Jean Dondelinger, who as the EC commissioner responsible *for audio-visual policy, helped* steer the cross-border broadcasting measure past *cultural* protectionists in the European Parliament and the Council.

Mr Dondelinger can also be counted on to back the green paper that the Commission is preparing on satellite deregulation, although this is *more* about telecommunications than television, Luxembourg's main interest.

SES's *most important* achievement in the past year has been to break into the potentially lucrative German market. Astra 1A, the first satellite quickly found customers in the UK – with Mr Murdoch taking up the first four channels for Sky TV – Scandinavia and Benelux.

By being SES's first customer and by paying for a 10-year lease with up-front money, Mr Murdoch is reckoned, by the specialist publication Television Business International, to have paid $3.4m a *year for each of Sky's four* transponders. The same maga*zine estimates that leases on* Astra 1B could go as high as $10m a year.

SES hit initial resistance in Germany, not least from the Bundespost, but held its nerve, kept several transponders ready and waiting, and was amply rewarded when between last December and this March five German stations signed on – *RTL-Plus (general information)*, Sat-1 and Pro-7 (both *offering general entertainment*), Teleclub (films) and the *3-Sat public channel*.

In the past two months, German stations – ARD, Europe's largest public broadcaster, and Premiere, a German pay television consortium formed chiefly by Canal Plus of France and the Bertelsmann group – have been the first to sign up for channels on Astra 1B, expected to be operational late next spring.

Meanwhile, another user of Astra 1A, the Luxembourg-Dutch combination of RTL-4, has made considerable inroads into the restrictive Dutch mar*ket in its first year*.

The Dutch authorities, the *last in Europe to allow* full-scale commercial television, were initially dubious about RTL-4, originally called RTL-Veronique after a Dutch pirate station in the North Sea. But they relented after some pushing and shoving from the Luxembourg government, *which is represented on the* boards of both CLT and SES, *and after passage of the Community directive on cross-frontier transmissions*.

Precisely because they have been underdeveloped and restrictive, the German and Dutch markets are worth entering. Television's share of total media spend is much lower in Germany and the Netherlands than in other countries, creating tremendous potential for the TV broadcasters. There is, by contrast, much less room for expansion in the more developed French market.

One limiting factor is the number of viewers buying *receiving dishes. In the UK, the* number is approaching 1m, *while in Germany, says SES,* only 200,000 receivers have been sold and fewer than 150,000 in the Netherlands.

Astra 1B will be co-located with Astra 1A, which means that its channels can be picked up with the same equipment and on an adjacent frequency to the first satellite's. Once the two satellites are up, viewers will be able to choose between 32 channels.

The government has had some success, after a slow start, in encouraging film producers to shoot their productions in Luxembourg, by providing tax incentives.

The 1988 law gives a film producer a tax credit for whatever he spends on filming in Luxembourg. If he has no Luxembourg tax liability, he can then sell that credit to someone who has. The value of the tax certificate will be slightly less than 34 per cent which is the standard rate of corporate tax, thus allowing a margin to *the company, bank or individual* who buys the certificate *from the film producer*.

In 1989, 20 film producers used the tax incentive scheme, but they were mostly small local operators and, to the government's disappointment, did not include CLT in any significant way. So far talk of CLT doing ambitious series of situation comedies and soap operas has failed to materialise but this year foreign interest has been picking up.

Mr Frank Agrama of Los Angeles, together with two local banks – Parisbas and Banque et Caisse d'Epargne of Luxembourg – has set up Harmony Gold Finance of Luxembourg to finance local production of at least a part of films or TV series. Its first venture – *a four hour mini-series,* "Sherlock Holmes and the *Leading Lady*", *with Mr Christopher Lee* and Ms Morgan Fairchild, has been pre-*sold to* the Berlusconi group.

The company's second venture, "Sherlock Holmes and the Incident at Victoria Falls" is largely being shot on location in Zimbabwe. But interior filming has still been done in Luxembourg.

However, until the duchy builds itself a large set of studios, it will not get the productions it wants. The 1988 tax law *runs for two more years only*. As one senior official puts it: *"Can we invest (in filming* infrastructure) if we don't know what will happen after the law comes to an end in 1992?"

CATALONIA

SECTION IV

Friday November 16 1990

'We are not a region, we are a country,' insists Mr Jordi Pujol, **Page Two**

Some 15,000 associations have connections with the arts world, **Page Five**

Catalonia is Spain's most economically muscular region. But it is often at odds with the capital. Its leaders believe that their distinctive culture is constantly threatened by the centres of Spanish power. From Madrid, **Peter Bruce** suggests that the result may not be happy one

An exclusive regional club

THERE IS a document drifting about the corridors of power in Catalonia – drawn up by a group of nationalist intellectuals close to the region's leader, Mr Jordi Pujol – that for the uninitiated makes quite remarkable reading.

It is a party discussion document, officials insist, and not policy. According to edited versions published in the Spanish press it recommends that "only young nations progress. It is necessary to impress upon our people the need to have more children in order to guarantee our collective personality". Or that one should "place professional nationalists in all key positions in communications media". Or that "international games should be adapted to Catalan (Trivial Pursuit, for example) and traditional Catalan games should be nurtured".

None of this is as threatening to non-Catalans as it sounds. Catalonia, beautiful and populated by some of the most creative and industrious people in Europe, has a chronic persecution complex. The national day on September 11 celebrates its biggest military defeat (by Bourbon forces in the war of the Spanish Succession in 1714). Today, the Generalitat (the name given to the country and its institutions) still wrings every drop of Spanish guilt about the Franco dictatorship, which banned the use of the Catalan language and treated the country as a mere province.

Thus, when Mr Mikhail Gorbachev paid a glancing visit to Barcelona last month and Madrid failed to organise a personal interview for Mr Pujol and, worse, invited the Spanish Crown Prince to host the Soviet leader for his four hours in the city, Catalan ire (liberal, socialist and nationalist alike) was made loud and clear throughout the land.

"Only the king and the president of the (Spanish) government can substitute the president (of Catalonia)," thundered Mr Pujol in a later statement. The Gorbachev visit had marked "the culmination" of a long series of "negative actions" against Catalonia.

Why is the region so sensitive? Catalonia is far and away the most powerful economic unit in Spain. It generates nearly 20 per cent of gross domestic product, more than any other Spanish region, and a much greater proportion of Spanish industrial output. Its large savings bank community rivals the commercial banking establishment in Madrid for financial clout. Its rate of unemployment, 14.3 per cent last year, is well below the national average and its 6m inhabitants make a bigger contribution to national output than anywhere else except for Madrid and the Balearic islands, where figures are distorted by capital market income and tourism.

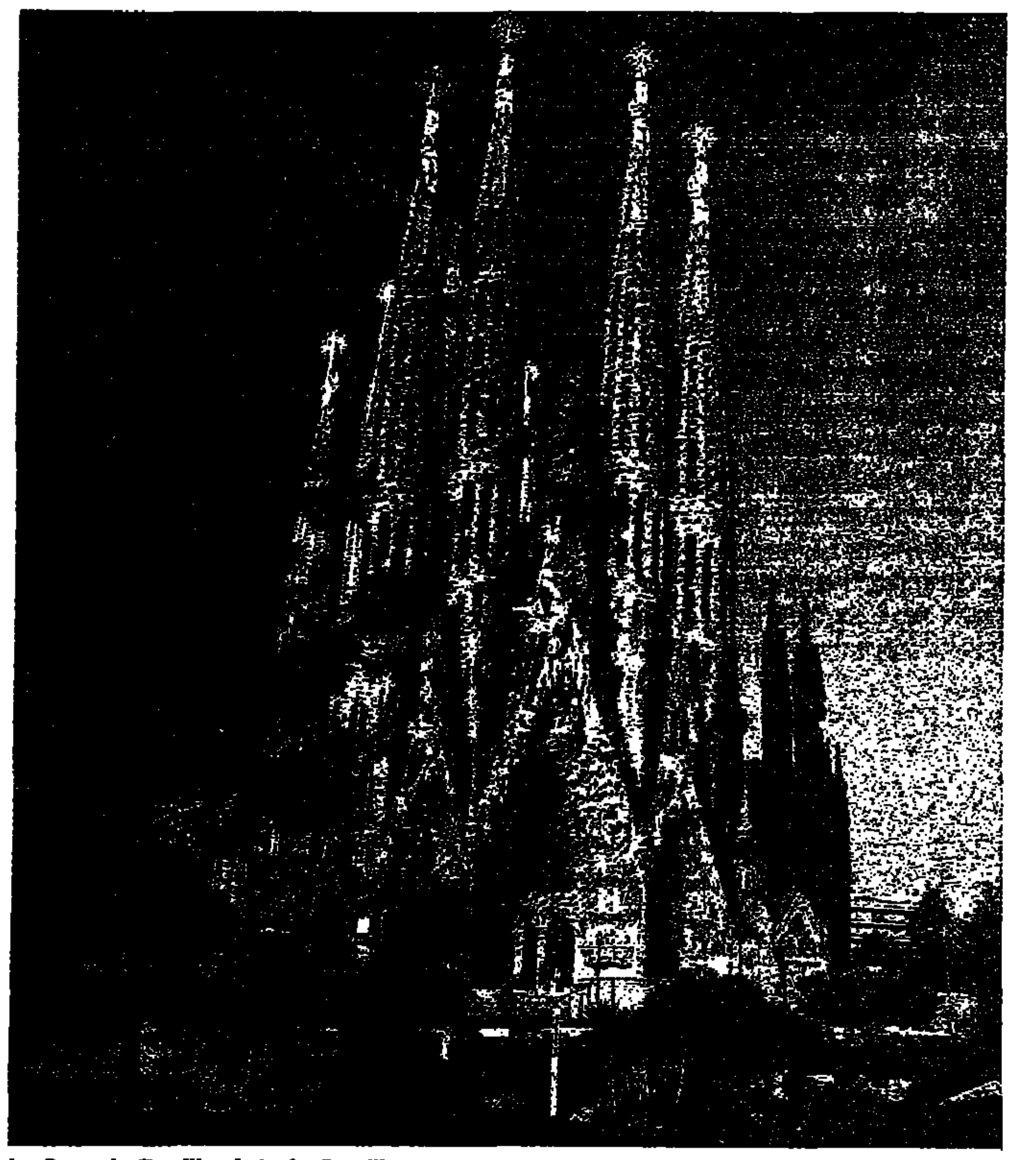
It is a lucky place. Bordered on two sides by the sea and some of the best beaches on the Mediterranean and by the Pyrennees, the countryside is almost Teutonically clean and ordered. The roads are good. Telephones work. Barcelona is *the* great living museum of European modernism and it is undergoing a $4bn face-lift ahead of the 1992 Olympic Games, which it will host. A new airport, new subways, beltways, hotels, apartments should leave post-Olympic Barcelona with enough infrastructural firepower to become a leading south European commercial and cultural hub.

That may be part of the problem, for the Catalans feel, and they may be right, that they do not command the respect and attention from Spain and elsewhere in Europe that they merit.

Theirs is the frustration of an advanced soul trapped in the body – Spain – of a worthy but plodding bore.

The fact is, though, that even within Spain, Catalonia is being challenged hard by regions such as Madrid. Madrid's capital markets are unassailably larger and more important than Barcelona's. Foreign investment into Spain – which five years ago was being directed almost exclusively at Catalonia, is being more selective. Its share of direct foreign investment in Spain between 1987 and last year fell from 33 per cent to 24.5 per cent. Madrid's share rose eight points to 40 per cent and Andalucia's share tripled to nearly 13 per cent in the same period.

To an extent, the central government is deliberately trying to encourage foreign investors to less developed regions through incentives that, in the mid-1980s, Catalonia was enjoying as well. But the stark fact remains that for the first time in a long time the Catalans are feeling Spanish competition. Madrid may now even be more chic than Barcelona.



La Sagrada Familia: Antonio Gaudi's modernist monument is a focus of Catalan self esteem

The political effects of this are two-fold. First, the assumed threat – upon which is always heaped centuries of traditional cultural defensiveness – reinforces Catalan nationalism.

Mr Pujol's conservative ruling coalition, the Convergencia i Unio (CiU), is unashamedly nationalist but the Catalan wing of Spain's governing Socialist Workers Party would not survive, let alone threaten Mr Pujol, were it not largely cut from the same nationalist cloth.

Mr Narcis Serra, a socialist and the Spanish defence minister, is, for example, an old friend and former business partner of Mr Pujol's chief representative in the Spanish parliament in Madrid, Mr Miguel Roca. Politically, they are virtually interchangeable.

Thus, the second effect of the Spanish change has been to draw the nationalists into a curious alliance with the devil Spaniards (the central Government) in Madrid.

Prime Minister Felipe Gonzalez is one seat short of a full majority in parliament in Madrid and though practically all the opposition parties have thrown themselves at him to offer support in the hope of tasting a morsel of real power, the most credible and consistent backing has been from the CiU.

Mr Gonzalez, or his Socialist party, could probably govern well into the first half of the next century with Catalan nationalist support. In return, Madrid simply has to continue dribbling bits of autonomy and self esteem to Barcelona. The Catalans want judges and policemen who can at least answer questions put to them in Catalan. They want their own police force. They want Madrid to guarantee neutrality when representing Catalan demands for European Community development funds.

All this means widening, or simply implementing more quickly, Catalonia's statute of autonomy. But there is always something more. Take the current anguish in Spain about where to bring a high speed railway line through from France. Madrid first leaned towards Irun, in the Basque Country, a blighted industrial area which desperately needs new investment and a lift in confidence.

But Catalonia, which considers itself the most European of Spain's autonomous regions, wants the line to come through Port-Bou and down to Barcelona. Who does Madrid offend?

Economically, the Basques probably need the line more than the Catalans and, anyway, Catalan leaders such as Mr Pujol insist their nationalism is a generous beast. "It is positive," he says, "it does not reject. To be Catalan is to be Spanish but not like the rest of Spain. Catalan nationalism is perfectly compatible with Spanish patriotism."

Mr Juan Tapia, editor of the independent Barcelona newspaper La Vanguardia, agrees: "It is nationalism, not separatism." A company chairman thinks that "the notion that we are a club that speaks Catalan to exclude the Spanish is an idea created in Madrid, not here."

"We have to defend ourselves," says Mr Pujol. Which returns to the Catalan dilemma – in standing on its differences with its neighbours, Catalan might alienate them. Madrid may have created the myth of Catalan exclusivity but it is Catalonia's problem.

IN THIS SURVEY

Editorial production:
Phillip Halliday

■ PROFILE: Jordi Pujol

President walks the nationalist tightrope

JOSEP Tarradellas, the Catalan president driven into exile by General Franco at the end of the Spanish civil war, never liked his modern-day successor, Mr Jordi Pujol.

"One of Jordi Pujol's main traits is never to listen to anyone and to assume he is in sole possession of the whole truth concerning Catalonia", Tarradellas wrote in his memoirs. "It is the way things have gone from the Banca Catalana to the divisions he has created in Catalonia. He has, nevertheless, a genius for getting on with people, for threatening and for using any means to get his way."

Tarradellas and Pujol fell out in the late 1970s about how to reconstruct Catalan institutions within the new democratic Spain. Mr Pujol, a practioner of party politics that Mr Tarradellas thought were beneath the figure of President of the Generalitat de Catalunya, won. He has been president since first winning the election in 1980 – surviving, in the meantime, the threat of fraud charges over the collapse of Banca Catalana, with which he was closely associated.

Mr Pujol, 60, is a curious mixture of Mr Franz Josef Strauss, the late Bavarian traditionalist leader and Mr Lothar Spaeth, the equally conservative but technology-fixated leader of Bavaria's Swabian neighbour, Baden Wurtemburg. Mr Pujol, who speaks fluent German (as well as French, English, Italian and Castillian) admires them both but likes to see himself leading something more than just a region. "We are not a region," he insists, "we are a country. We are more like Quebec (than Bavaria)."

'We are not a region . . . We are more like Quebec'

Seccesionist Quebec or loyal federal Quebec? Mr Pujol claims that "Catalan nationalism is perfectly compatible with Spanish patriotism", but he never quite says that Catalonia is happy with the autonomy it has been granted. The constant nagging with Madrid is for ever more Catalan rights.

Through the nationalist prism, Madrid, Francoist or democratic, is by definition incapable of understanding the "wishes" of Catalans and will always try to subjugate them (that is, to treat them as Spaniards, not Catalans). "We have to defend ourselves," he says.

But Mr Pujol pays for his freedom to talk tough for his Catalan audience by offering succour at almost every opportunity to the central Socialist government. The conservative Convergencia i Unio (CiU) which he leads is Spain's fourth largest political party and regularly defends the government against national left or right-wing parties.

"We want Spain to succeed", he says. "When you are talking about Catalonia forget about Ulster or the Basque Country" [both of which harbour violent separatist movements]. Mr Franz Josef Strauss' old dictum about his Bavarian Christian Social Union never allowing any party to flourish to its right probably holds important clues, too, to Mr Pujol's grinding nationalist rhetoric. After Mr Strauss's death, the German right shifted its loyalties to the quasi-fascist Republican Party. Mr Pujol knows that to be anything less than the last nationalist resort could allow incipient Catalan terrorist groups room to breathe.

Nationalism is tinderbox politics and perhaps Mr Pujol's training as a doctor gives him a feel for how hard to push without alienating Madrid or the Catalans. He plays the game well.

Peter Bruce

CiU believes it is about to enter the stage of national politics. **Tom Burns reports**

Familiar players in the coalition game

CONVERGENCIA i Unio (CiU), Catalonia's nationalist and politically conservative ruling coalition, is fully entrenched in its home turf and is eagerly awaiting the opportunity to stride the larger stage of national politics.

Mr Miquel Roca, who ranks second in the CiU hierarchy to Mr Jordi Pujol, Generalitat president, and is its chief spokesman in the Madrid parliament, believes that the next general elections, scheduled no later than October 1993, will prove to be the CiU springboard.

He is confident that the continuing erosion of votes suffered by the governing Socialists – in last year's national polls they failed to gain an outright majority – will force them to turn to the Catalan nationalists as the most suitable junior coalition partner.

Coalitions are something that the Catalan nationalists understand. CiU is a coalition, for although dominated by Mr Pujol's Convergencia party, it includes Christian Democrats and Liberals who are all bound together within the nationalist fold.

Since Mr Roca believes that Mr Felipe Gonzalez will continue as premier for the forseeable future, albeit shorn of an outright majority, he says that it is logical for the Catalan nationalists to have "fluid and permanent relations with the Socialists".

CiU pays more than lip service to the ideal of Catalan self-government

The more unlikely prospect of a rise of support for the Madrid-based conservative party, the Partido Popular (PP), and a marked collapse of the Mr Gonzalez's Socialist Party, is equally reassuring for CiU's ambitions. Mr Roca has an extremely low opinion of PP's youthful leadership but he knows very well that a centre-right national government necessarily involves the active collaboration of the Catalan nationalists.

The ambitions to stride the national stage and the strategies to step up on to it reflect a constant debate in the CiU that contrasts the party's power in Catalonia and its lack of influence elsewhere in Spain.

This obsesssive debate is illustrative of the endemic persecution complex that takes hold of Catalan nationalists whenever Madrid, a wholly hostile environment as far as they are concerned, is mentioned.

Mr Roca says that traditionally Catalans have "gone to Madrid to sell things and then they have returned home instead of staying there".

Other ethnic groups in Spain, notably the Basques, have always been at home on the national stage but not so the Catalans.

Should there be a hung parliament after the next election which in turn will precipitate governing pacts involving CiU, then the Catalan nationalists will, at last, be able occupy what Mr Roca calls "areas of power in Spain".

Mr Roca, a politician of undoubted ability who was directly involved in drafting Spain's democratic constitution, would probably accept nothing less than a senior cabinet post should the hoped for pacts come about.

There is a perceptible sense of frustration that colours the manner in which Mr Roca describes the present situation between the Generalitat and the national government. CiU has, after all, gone just about as far as it can go in Catalonia.

Municipal elections at the end of next May will serve to illustrate the nationalist hegemony. The CiU is so thick on the ground in Catalonia that it will be able to field lists of candidates for some 900 of the area's 940 municipalities. The Catalonia's Socialist Party, by comparison, will only be contesting some 400 towns and larger villages.

Mr Roca boasts that CiU has demonstrated over the various polls over the past decade an 85 per cent voter loyalty which he claims is far greater than that which the fickle Spanish electorate has given to any other party.

Alone among Spain's political groups, CiU has consistently increased its share of the vote in successive general and regional elections. In the 1988 poll to the Catalan parliament the nationalists won 46 per cent of the vote to earn Mr Pujol a third mandate at the head of the Generalitat.

CiU's upbeat picture of its prospects is naturally contested by the Partit Socialist de Catalunya (PSC), the Catalan branch of Spain's socialists and the only other political force to be reckoned with in Catalonia. Although it has lost ground to the nationalists, particularly in polls to the Catalan parliament, PSC controls the Barcelona city hall and the big industrial towns, and it still has the edge over CiU when Catalonia votes in general elections.

Who is in charge? When the Gorbachevs visited Barcelona last month Jordi Pujol (left) was not invited to host them. That fell to Crown Prince Felipe (right, behind Mayor Pascual Maragall)

The main PSC argument levelled against CiU is that Mr Pujol's main platform is the real or imagined rivalry and fight for privileges between the central government and the Generalitat.

As these historical tensions are gradually eroded, not least by widescale agreements on the financial and fiscal guidelines for Catalonia's autonomous executive, so the planks are removed from the nationalist platform.

"The present situation is becoming uncomfortable for CiU," says Mr Josep Maria Sala, a leading PSC member and its representative on the Socialist national executive. "Pujol is a fighter who feeds off an opposition; the less conflict there is between Catalonia and Spain, the less people there are lining up behind Pujol."

Unfortunately for Mr Sala the Madrid government has an unerring instinct for offending Mr Pujol and his nationalists. The latest incident involved a protocol mix-up that relegated the Generalitat president to second place in the protocol when Mr Mikhail Gorbachov, the president of the Soviet Union, briefly visited Barcelona at the end of last month.

Three week's earlier the Madrid Transport Ministry reneged on an undertaking to provide Barcelona with a toll-free access motorway and this apparently arbitrarily, or at best, clumsily explained development, had given CiU cause to beat the nationalist drum with renewed vigour.

Mr Pujol takes offence easily but he does so with good reason. In rising speedily to defend Catalan pride and the dignity of the Generalitat he is not just affirming his party's *raison d'être*. He is also ensuring that CiU is not outflanked by what is generally termed "radical nationalism".

The consensus view is that the radicals, who seek to sever as many links with Spain as possible, represent at most 8 per cent of the Catalan electorate. They are to be found in the historic but minority Esquerra Republicana de Catalunya (ERC) party that dates back to the heady days of the Spanish republic in the 1930's, in the youth wing of Mr Pujol's own party and in a small terrorist group called Terra Lliure (Free Land).

CiU, which labels itself as pragmatic and moderate, pays more than just lip service to the ideal of Catalan self-government. "The present statute of autonomy is insufficient," says Mr Roca. The CiU is not afraid to discuss self-determination for it believes that the vast majority of nationalist opinion understands this to mean the right to accept voluntarily an association with Spain.

But Catalonia's ruling coalition is adamant that the path towards greater home rule lies in negotiations and in a constant dialogue with Madrid. Catalans may want less interference from Madrid but they certainly do not want a confrontation with the central government for history has taught them that is the quickest way of losing whatever self-rule they had in the first place.

"If we allow the radicals to dictate the pace of our nationalism," says Mr Roca, "we are lost. If we step up our nationalism we will lose 20 per cent of the electoral support to gain perhaps 3 per cent from the radical camp."

In the last analysis the ambition to gain a share of responsibility in the national government responds not so much to a wish to improve the government of Spain but to ensure a better nationalist deal for Catalonia.

La Caixa and the banking sector

Pushing back the horizons

WITHOUT any doubt the Spanish financial news of 1989 was the July merger of Caja de Pensiones with Caja de Barcelona, forming the country's largest savings bank, which although called Caja de Ahorros y Pensiones has become universally known as *La Caixa*. With the merger, La Caixa has become Spain's leading bank, in terms of borrowed capital.

As Mr Antoni Brufau, one of La Caixa's four executive vice-presidents explains: "We now have 77 per cent of the Catalonian savings market, and 33 per cent of Catalonia's financial market, that is including both savings and commercial banks."

With a balance of Pta3.89bn (as of September 30), La Caixa is more than twice as large as its nearest rival, Caja de Madrid (a balance of Pta1.81bn), and almost five times greater than its main Catalonian competitor, Caja de Cataluña.

La Caixa occupies a pre-eminence in Catalonian banking which lends it great power and prestige. Its research department calculates that by the end of 1989 it held third rank in Europe's league of savings banks in terms of assets.

The merger meant immediate growth for La Caixa, but perhaps more important for its long-term strategy was a legal adjustment to the position of savings banks at the end of 1988, which permitted the savings banks or Cajas to expand beyond their previous geographical restrictions, into other regions of Spain apart from their supposed natural home.

For Mr Antoni Brufau, one of the more important of the recent changes in Spain's financial structure is the growth of the savings banks' share of the banking sector. "In 10 years the savings banks have captured 10 per cent, in deposits, from the commercial banks, growing from 35 per cent to 45 per cent," he says.

He thinks that this expansion can only increase in the future. "Until last year we could not leave our natural frontiers, that is Catalonia. Thus the influence of the Catalonian savings banks in the rest of Spain is much less than should naturally have been the case. Although we have 33 per cent of Catalonia's financial market that drops to 1 per cent when we consider the whole of Spain, because we have been limited in our growth. Our natural market is the whole of Spain."

La Caixa's 2m credit card holders may agree with Mr Brufau, that expansion is to the benefit of both bank and depositor. Other cajas, particularly Caja de Cataluña, which ranks second to La Caixa, are doing their best to maintain an optimistic air in the face of their larger competitor.

Mr Francisc Costabella, director general of Caja de Cataluña, says that "we are now, nationally, in fourth place and of course the ranking is important. But much more important to us are matters such as final results, cash flow and so forth. Most worrying for us at the moment is to give the best quality of service possible and at the same time diversify into other markets."

In other words, Caja de Cataluña has territorial ambitions too. One of Mr Costabella's plans to expand involves planning to co-operate with French and Italian savings banks to share branches across an arc reaching through north Spain, southern France and Italy. The net of competition has thus been thrown wide open, following the legislation which removed bars to geographical expansion and the explosion of La Caixa on to the Spanish banking scene.

La Caixa has its own plans for international expansion, aided by Société Générale, among others.

The boundaries of Catalonian banking are altering under the pressure of mergers and the need for growth in order to stake out a place in the newly united Europe of 1992.

"I think it's true that in the near future the distinction between savings and commercial banks in Spain is going to become more blurred," says Mr Costabella. "There is no difference between them now, operationally speaking. But our experience over many years still strongly exists, these very strongly defined characteristics of family savings still persist."

Gary Mead

■ PROFILE: Carlos Ferrer Salat

Worries over fortress Europe

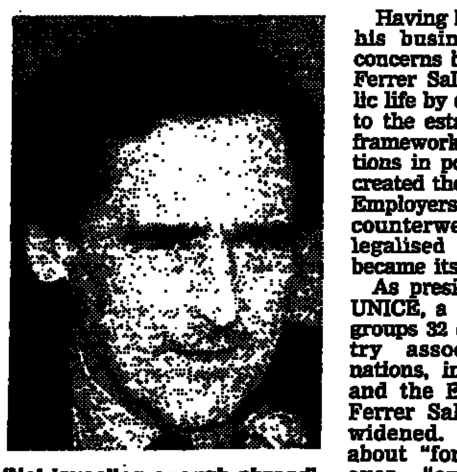
MR Carlos Ferrer Salat lives 10 minutes walk away from Barcelona's IESE business school in leafy Pedralves, the city's famous residential area. Ambitious MBA students, who pass by the 16th century Dominican monastery that Mr Ferrer Salat converted into his home three year's ago, look upon him as someone to emulate.

Mr Ferrer Salat is a tycoon hero cast in a Renaissance mould. He is a wealthy banker and businessman, a staunch patron of social and cultural foundations, a noted sportsman who once played on Spain's Davis Cup team and a compulsive buyer of artworks who recently added a Rubens to his collection of old masters.

There is even a flourish of youthful rebelliousness in his curriculum. He was detained as a student for distributing anti-Franco propaganda, and spent three days at police headquarters and a further three at Barcelona's Modelo prison before being released.

"The police put 'Europeista' on my detention card," recalls Mr Ferrer Salat with a certain amount of relish. His bank is called the Banco de Europa and the irony, born out of the years of the Franco-imposed isolationism, is intended.

Banco de Europa, which has 35 branches in Barcelona and three in Madrid, is, Mr Ferrer Salat says, "a conservative and solvent" institution whose business is being increasingly directed towards leasing, fund management and mergers and acquisitions. He also has a pharmaceutical company, Ferrer Internacional, which has a



'Not investing enough abroad'

subsidiary in Germany and sales outlets in 50 countries.

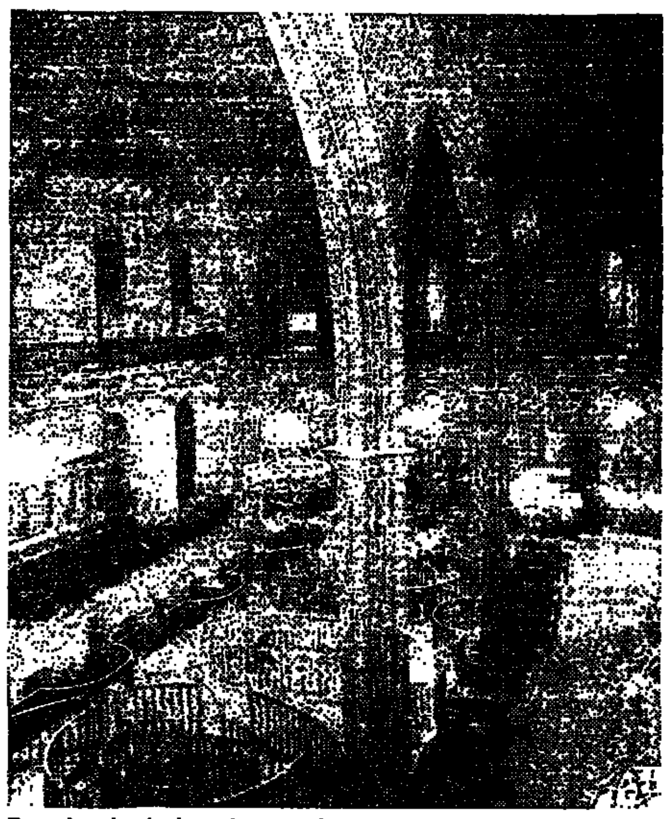
He presides over weighty institutions that range from the Brussels-based European Employers Union, UNICE, to Spain's Olympic Committee, he is a member of global think tanks such as the Trilateral Commission and he sits on a number of multinational boards including Volkswagen and IBM Europe.

Having built up his bank and his business into profitable concerns by the mid-1970's, Mr Ferrer Salat vaulted into public life by devoting his energies to the establishment of a new framework for industrial relations in post-Franco Spain. He created the CEOE, the Spanish Employers Confederation, as a counterweight to the newly legalised trade unions and became its first chairman.

As president, since June, of UNICE, a confederation which groups 32 employer and industry associations from 22 nations, including all the EC and the EFTA members, Mr Ferrer Salat's horizons have widened. He is concerned about "fortress Europe" and over "excessive Brussels bureaucracy" and he is keenly interested in professional training and in the evolution of the continent's labour market.

Is he confident about the prospects for Spain and for Catalonia after 1992? Mr Ferrer Salat notes, with regret, that "we are not investing nearly enough abroad" and complains that there are no "home-grown multinationals" to speak of.

Tom Burns



Barcelona's stock exchange: obituary notices were premature

THE FINANCIAL DISTRICT

Outpost that refuses to die

THE changes to Spain's four geographically separate stock markets have been revolutionary: but like all revolutions, the outcome has not been quite that first predicted.

The obituary notices for Barcelona's stock exchange, following Spain's move to computer trading on July 29 1989, were a trifle hasty. The Madrid stock market's centrifugal tug has yet to swallow Barcelona's *bolsa* (bourse).

Take Mr Arturo Mas-Sardá, a director of the stock brokers Bravo and Garayalde. As chief of the Barcelona outpost, Mr Mas-Sardá opened the Catalonian office on October 1 1990, 14 months after inter-connected, computerised, nationwide trading broke out across the Spain exchanges.

The computer assisted trading system, otherwise known as CATS, has taken over the trading floor. Large, comfortable red plush armchairs face several wall-mounted computer screens in an annexe to his office in the *Diagonal*, the heart of Barcelona's financial district. This operates as Barcelona's stock exchange, not the ornately cavernous gothic building three miles away near the port.

Of course, that is something of an exaggeration, but not too wide of the mark. The Barcelona bourse still exists, and a few corros (or rings) of 5-10 minute trading still happen there. But it is no longer the focus for trading activity.

Instead, offices are springing up where clients can sit and confront screens of constantly changing data.

By choosing this moment to open up in Barcelona's stock exchange, when pessimists have forecast its fast decline in favour of Madrid's, Bravo and Garayalde believe it is flowing with and not against the tide.

Following Big Bang, many thought that Barcelona's 12-13 per cent share of the national stock exchange volume would disappear.

However, even Bilbao (7-8 per cent) and Valencia (1-2 per cent) are holding out against Madrid, which has about 80 per cent of the total.

Mr Mas-Sardá is convinced that Barcelona's exchange "will not only survive but increase in volume. I think there still is much more potential volume in Catalonia than is indicated by the volumes traded here. If you look at savings, at production, here in Catalonia, they are roughly 30 per cent of Spain's total. There are ways to channel that into the bolsa."

For Mr José Serna Masia, president of Barcelona's exchange, the 1989 revolution has been profound in that now "any member of any of the four Spanish exchanges can deal in real time in any share with any other member of any other of the exchanges.

"It has produced the de-localisation of the Barcelona bolsa and the same is true for that of Madrid or the other two. They have stopped being local markets, although of course with different volumes.

"Madrid has in a sense been transformed into the national market, but only in that it participates – as does Barcelona, Bilbao, and Valencia – in the national market. It's really no longer correct to speak of Barcelona or Madrid as local markets, rather they are service centres for a global market."

There are 29 members of the Barcelona stock exchange; 27 of them are also members of the Madrid exchange, which has more than 50 members. Mr Serna Masia is a member of both.

Why go to the expense of setting up office and making the necessary capital investment to belong to both exchanges, when he lives in a continuous unified market? "We have taken this decision at some cost. We are here because, given that Catalonia is such an important industrial site, we need to be physically close to clients."

According to Mr Pedro Viñolas "the experience more than a year after the change has been very positive. Barcelona's index has dropped this year by some 30 per cent, but that has been the same for the other exchanges. This year we expect to finish with the same traded volume as that of 1989, Pta550bn, or the equivalent of about $20m daily.

That scale is somewhat grander than that so far envisaged at Barcelona's latest offering to the financial world. The shocking pink, electric green and petrol blue minimalist sofa in the reception area of MEFFSA, the acronym for Mercardo de Futuros Financieros SA, is at one end of a corridor; at the other is a cavernous office space full of rubble.

MEFFSA's role in life is to provide Barcelona with a futures exchange; as the baby of Barcelona's financial world – MEFFSA is just 8 months old – it has a watchful and jealously concerned parent in the form of Mr Jose Luis Oller, who exchanged his former headship of the Barcelona Stock Exchange for his post of chief executive officer at MEFFSA.

Trading of MEFFSA's notional bond, its only contract so far, has increased from its May average level of 600 contracts daily to a daily average of 1,500 in October, each bond having a nominal value of Pta10m.

As Mr Oller points out, in the US some 600m futures contracts are traded annually, so the Barcelona exchange is small beer in comparison.

"However, with only 30 staff here we have small overheads. The earnings are comparatively small if you consider other futures markets, but they are more than sufficient," he explains.

Mr Oller regards the Barcelona futures market as an essential step towards the modernisation of Spain's financial system. He has plans to expand.

"A futures market depends on volatility, instability. Like doctors; if a doctor asks how you are he doesn't want to hear that you are either completely well, nor that you are about to die. I don't want to see catastrophe but nor do I want to see total stability. One thing is certain – the US economy is unstable and is likely to remain so for some time. That means the US dollar will be unstable, and that gives MEFFSA an opening."

Mr Oller believes that his futurology is right. "After the installation of inter-connected screens and real time trading, the bolsa of Barcelona or that of Madrid no longer exist. What exists are the screens. There is no longer any reason for the physical existence of the bolsas."

That may be the case; on the other hand, the modernity of MEFFSA may still yet prove to be as ephemerally fashionable as its reception room sofa.

GM

THE JAPANESE PRESENCE

A strategic EC video base

JAPANESE companies do not invest in Catalonia just because their executives happen to like the local food and the golf courses. But good living and leisure do help.

When Mr Taguchi, who runs the Bank of Tokyo's Barcelona branch, entertains potential clients arriving from Japan he takes them first to a showpiece plant, such as Sony's and then, over a meal of Mediterranean fish in a picturesque coastal restaurant, he tells them about the golf tournaments that the city's Japanese community stages once a month.

He explains, how Barcelona's Suyokai association, which group's senior Japanese executives, is responsible, among other briefs, for a Japanese school in one of the city's suburbs that is soon to be enlarged to take 200 pupils, double the present number.

Industrial investment is fundamentally based not on amenities and lifestyle but on other criteria and this is why the Sony Barcelona factory is a good starting point.

It won the Sony plant of the year award in 1989 and has announced a Pta10bn investment to expand its production of video and colour televisions.

Mr Taguchi believes that his particular stamping ground in Spain offers specific attractions to a certain type of Japanese industrial investor.

Catalonia, which is home to a Sharpe plant and to a Sanyo research and development centre, has become the strategic base for Japan's video industry in Europe, he says.

Catalonia does get brickbats. Labour costs in Greater Barcelona are only slightly lower than they are in Britain and Germany. It is difficult to find fluent English speakers. And, says Mr Taguchi, obtaining residence and work permits for non-Spanish employees is "a chronic nightmare".

Mostly he awards the area handsome bouquets: "There is a high degree of working skills and, more importantly, of mentality and motivation. The mentality here is very Japanese – a job is not just a source of income, it is a source of pride and people work after hours if the job is not completed."

The next bouquet involves the widely accepted belief that Spain is a good entry point to the European market and that Catalonia, thanks to its communications and its frontier with France, is by far the best springboard in the country.

Ms Eri Nemoto, a Japanese born official who runs the Generalitat's department for industrial links with Japan, dismisses the golf greens and the gastronomic delights as "cliches" but she stresses an enthusiasm for work that ensures a superior cost performance.

"Japanese companies," says Ms Nemoto "find a motivation in Catalonia that they don't encounter in Scotland and in the south of France."

At the last count, 87 Japanese companies were located in Barcelona, this represents more than half the number of Japanese companies based in Spain. Catalonia does not offer financial and fiscal incentives to industrial investors, whereas subsidies of up to 70 per cent of the outlay are available in Spain's depressed areas.

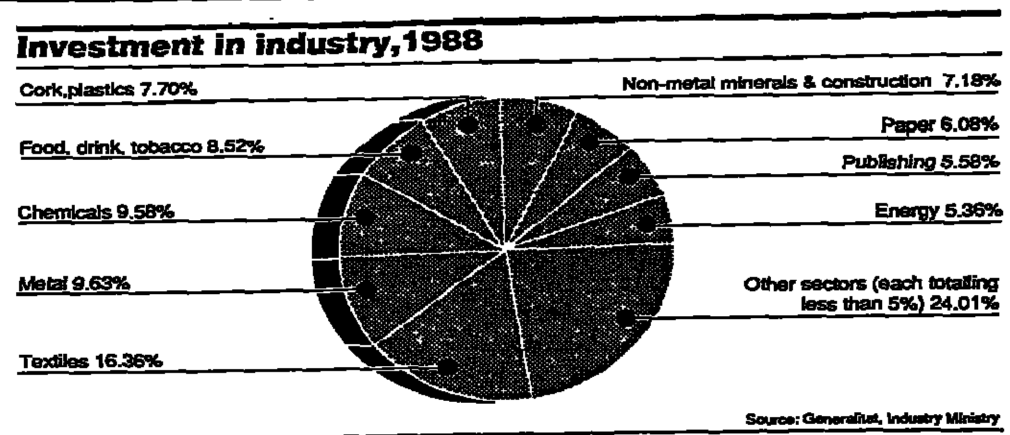
The absence of official incentives is more than offset by the extensive range of manufacturing centres and trained personnel in Catalonia and by the expert job that the Generalitat does in promoting what Ms Nemoto calls "the area's industrial texture". One of her department's best products is its database of locally manufactured machine tools and components.

Mr Jordi Pujol, Generalitat president, had long made Japanese investment a priority. He has had a Generalitat office set up in Tokyo and has twice visited Japan at the leading large business delegations.

Mr Pujol's preferred sales talk is about how Nissan turned Motor Iberica's loss-making plant in Barcelona into one of Europe's top centres for four wheeldrive vehicles and light vans. "Nissan'" says Ms Nemoto, "is a constant reference point for every Japanese investor."

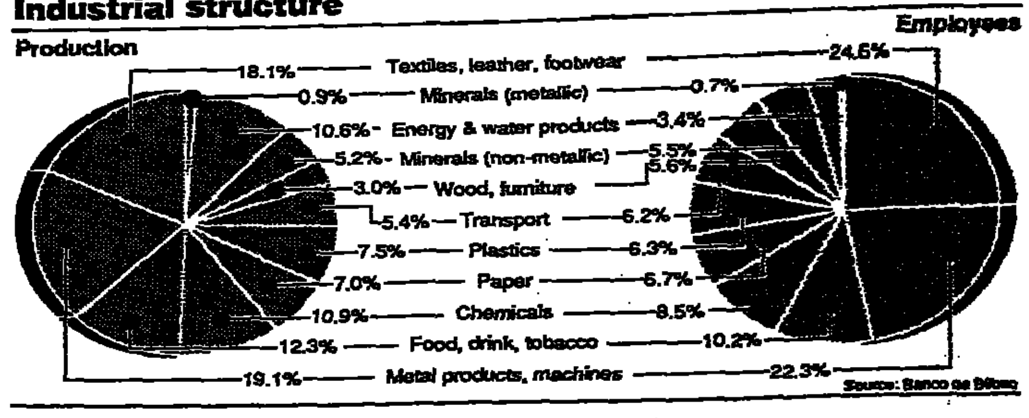
Tom Burns

Investment in industry, 1988



Source: Generalitat, Industry Ministry

Industrial structure



Source: Banco de Bilbao

Gary Mead looks at how industry is opening a window of opportunity that faces the rest of Europe

Powerhouse primed for foreign investment

CATALONIA'S future prosperity is inextricably linked with the development of Europe and the European Community as it is one of Spain's industrial powerhouses.

Visitors to Barcelona may think that, as far as its industrialists are concerned, Catalonia is not a region of Spain but a European country. That public awareness of Europe is fed by what is seen by some as a controversial poster campaign, staged by the Generalitat, which has the slogan; "Catalonia, a European country."

Catalonia has slightly less than 16 per cent of Spain's population but it generates about 20 per cent of the nation's gross domestic product. That rises to 27 per cent, if industrial GDP alone is considered.

In 1989, 38 per cent of foreign investment in Spain headed towards Catalonia, says Mr Lorenzo Gazcón, who, based in Barcelona, is national vice-chairman of the employers' association (Fomento del Trabajo) and president of the European League of Economic Co-operation. However, as much of the region's economy is still *negro* – unofficial – completely accurate figures are difficult to come by.

Catalonia's industry is a paradox; crowded with hundreds of small, family companies which not only lack the capital resources to expand but also would not care to do so. The region has become a prime site for foreign multinational investment.

Catalonia's geographical location, its proximity to France and Italy, and its lengthy history of economic development, should mean that it continues to dominate Spanish industrial output after the EC becomes a unified market in 1992.

Within Catalonia's GDP, industry accounts for 40.6 per cent, services 56.8 per cent, and agriculture 2.6 per cent. The large industrial employers; textiles and construction, each with about 18 per cent of the workforce, are, along with the tourist sector, suffering the worst effects of an economic recession.

The most obvious sign of recession for Catalans has been a slump in tourism. Some 350,000 people, roughly 14 per cent of the working population, are employed in the region's tourist industry. Between 1951 and 1989 the number of tourists visiting Spain increased 43 times, from 1.26m to 54m – many of them attracted to Barcelona and the Costa Brava.

For Mr Gazcón, Catalonia has "been the Spanish autonomous region which has benefitted most from membership of the EC," though that has not staved off what he describes as an "economic crisis." But the severity of any crisis depends on your standpoint. Catalonia's GDP grew by 5.3 per cent in 1987 and 5.6 per cent in 1988, fractionally higher than Spain. After such good times any slow down is liable to take on an exaggerated aspect.

"The Spanish government has been given an excellent excuse, the Gulf crisis, because everything bad which has already happened can be blamed on the Gulf. That isn't true; the Gulf has just made more complicated a situation which was already bad," is Mr Gazcón's sharp dismissal of a fashionable catch-all scapegoat for economic unease.

In his opinion "there is a generalised crisis mentality" in Catalonian industry today. This is compounded by the proposed lifting of remaining protection from Spanish industry within the EC, by 1993; the possibility of foreign investment being attracted away from Spain towards awakening central and eastern Europe. Added to this is the realisation that Barcelona's 1992 Olympics is likely to be seen as a tremendous but rather costly party (Pta80bn of Generalitat's money) which the guests contributed little towards. For Mr Gazcón, January 1 1993 is "like the sword of Damocles."

"Interest rates are too high; we have a fatal exchange rate; excessive tax pressure; reduced foreign investment is likely; difficulties with exports; shrinking tourism – would you like some more gloom," continues Mr Gazcón.

While his job appears to require a greater degree of optimism, Mr Antoni Subirà, minister of industry and energy in the Generalitat, is hardly less concerned at the immediate future for Catalan industry.

"There is an atmosphere of recession in Catalonia which is partially justified. There are some industrial sub-sectors, particularly in textiles, which have difficulties. But they are sectors which are passing from being labour to capital-intensive. There are sub-sectors of textiles which are doing extremely well; in the last five years in particular the silk, artificial silk and garment industries are doing well."

One of the priorities for Mr Subirà is to ensure that Mr Gazcón is proved wrong in one prediction, that Catalonia will start to lose its charm for the foreign investor, who may head towards eastern Europe. In the first quarter of 1990, the region took the lion's share of foreign investment in Spain, with 29.07 per cent of the total (more than Pta105.5bn).

To that end Mr Subirà points out: "There is no legal, bureaucratic, nor economic barrier against the foreign investor, who faces the same conditions as any indigenous investor. We have various organisms dedicated to attraction of foreign investment, one being CIDEM (Centro de Información y Desarollo Empresarial), which promotes industrial zones in the region."

Mr Subirà maintains that, in spite of rises in relative costs, "fresh foreign investment is being attracted here. The Swiss multinational chemical Givaudan has concentrated its production in three areas; Switzerland, the US, and in Catalonia, some 20 km from Barcelona." The most spectacular investment has been the Japanese, who have concentrated their Spanish industrial investment in Catalonia. Of almost 20,000 jobs created by Japanese companies in Spain in the last few years, 17,000 are in Catalonia.

Traditional forms of ownership remain strong, writes **Peter Bruce**

Catalans keep it in the family

ALTHOUGH they made money as merchants and textile producers during Spain's colonial period, the Catalans were never as rich as, say, the grand land owners of Andalucia. Catalan banking never amounted to much and neither have its capital markets.

But the same could be said of the Bavarians and Swabians in southern Germany. They, like the Catalans, have evolved tightly knit productive units, mostly families dedicated to single products and markets and which form probably the most cohesive industrial units in either Germany or Spain.

Catalonia is an industrious place, almost theatrically so. Savings banks thrive. Profits are ploughed back into the company. Everyone complains about taxes. The quality of goods is usually superb.

Three companies epitomise this humble Catalonia. Vichy Catalan bottles one of the world's truly delicious gassy waters. Freixenet makes cava, the Spanish champagne. Miguel Torres is one of Spain's finest bodegas. All three have fought to be where they are.

Vichy Catalan, for example, has been under attack by the French Vichy water producers for almost a century. Latterly Perrier has been trying to wrest the company's right to use the Vichy name on its product in Spain. Catalan courts, though, have smiled on their hometown water.

The company was founded in 1881 after a doctor persuaded Catalan businessmen to invest in a spring of bicarbonate-rich water near the French border. Vichy Catalan has since followed the course of spring waters everywhere – from medicinal to fashionable. In 1984 the company sold about 64m bottles in Spain; this year, it will sell around 225m bottles.

Bubbly Vichy Catalan is not responsible for all of that. The company, under its long serving chief executive, Mr Joan Renart, has made important acquisitions among still and gassy water rivals. Market growth has been breathtaking, with sales growing 50 per cent a year, but Vichy Catalan managed to take 51 per cent of the 1.7bn litres of water sold in Spain in 1989.

"Because of the huge demand at home almost all our investment is aimed at this market", says Mr Renart. Sales are about Pta6bn a year.

The dilemma at Freixenet in the Penedes plateau, just behind Barcelona, is different. Its product, Cava, is as good an approximation of champagne as could be imagined.

But 15 years ago Freixenet, owned by the Ferrer family since 1830, was struggling to sell its product in the US. Its broker there was buying 1,500 cases a year and Spanish products had a bad name. Mr Manuel Duran, then commercial manager, remembers a trade fair where the Italian stand had a Ferrari parked in front of it. How could Spain compete?

For six years he hired exclusive distributors in each of the country's states and today Freixenet sells more than a million cases in the US a year, easily outstripping the amount of real French champagne Americans drink. Exports account for 75 per cent of production against just 12 per cent in 1975. Europe, Mr Duran admits, has been much tougher going, though it now accounts for 50 per cent of sales.

At the Miguel Torres bodegas nearby, the Germans, at least, are not that much of a problem. Mr Torres' 80-year-old wife is German and looks after the Teutonic market. Everyone pitches in. Daughter Marimar runs the US vineyards and market. Another son is the chief winemaker. Some 40 per cent of production is exported and the introduction of cooler fermentation in large steel vats instead of oak casks has saved the wines time, money, and, the family says, aroma.

Torres are widely known in Spain for their white wines and brandies. The company turns over Pta8bn a year "with an almost non-existent advertising budget", says Miguel Torres jnr, the winemaker. That says a lot for the family's dedicated marketing. "We have to create demand," Mr Torres says, "that way we can finance ourselves and survive as a family company."

Such sentiments are rare in western Europe, where family companies are being destroyed by internecine squabbles, lack of filial interest and poor capitalisation. In Catalonia, though, the family tradition is strong.

Catalans care deeply about their artistic heritage

Culture and nationality

GOVERNMENT, as far the nationalist-controlled Generalitat is concerned, is not just about providing welfare and infrastructures. It is also about providing culture – specifically, Catalan culture.

The link between culture and national identity is inevitably deeply ingrained in the minds of officials at the Generalitat's cultural headquarters. "Our culture was so precarious during the [Franco] dictatorship", says Mr Xavier Bru de Sala, a director general with special responsibility for the performing arts.

The fact that the Catalan people are deeply cultured and extremely active about it fuels the Generalitat's ambitions. Officials note with pride that there are some 15,000 associations in Catalonia that are in some way or other connected to the arts.

A couple of current exhibitions in Barcelona drive home to the uninitiated the point that the stars in Catalonia's artistic firmament do not shine in a void. They are part of a well established galaxy.

An exhibition at the Generalitat's new Santa Monica gallery, at the harbour end of the Ramblas boulevard, exhibits the abstract school of the 1950s called Informaliste that has the celebrated Antoni Tapies as its prime success story.

Barcelona's Contemporary Arts museum, meanwhile, is staging a large exhibition that deals with all the differing and complementary expressions of the Modernist movement that took Catalonia by storm at the turn of the century.

Pablo Picasso has a well documented link with Barcelona and the Modernist exhibition underscores this.

As a teenager, Picasso received all the encouragement he needed and more from fellow artists such as Ramon Casas and Santiago Rossinyol, a dozen years older than him, who hung around the Quatre Gats cafe in the city's Gothic quarter.

There are some 15,000 associations in Catalonia linked with the arts

Barcelona was an antechamber for Paris, which is where the whole group ended up and where some, notably Picasso and Joan Miro, were to remain.

Montserrat Caballe and Jose Carreras are the twin jewels in Catalonia's belcanto crown.

Again, their excellence is no accident. They grew up in a society that thinks of music as something special to Catalonia and they did not want for patrons when they started their musical studies.

In the Franco years, busloads of Catalans crossed the border into France to listen reverently to the exiled cellist Pablo Casals when he organised annual summer concerts for his countrymen within the shadow of the Pyrenees.

It is in this context of boundless but discriminating enthusiasm for culture that the Generalitat is increasingly turning its attention to the theatre.

As in other cultural areas, the performing arts in Catalonia draw on a well consolidated tradition.

Barcelona's Institut de Teatre, which has some 500 students at present, was founded 75 years ago and there is no drama school comparable to it Spain.

The Generalitat's Mr Bru de Sala likes telling the story of how a particularly violent production of La Fura, sponsored by the Generalitat, was threatened with a lockout by the police when it was about to be staged in Paris at the city's annual performing arts trade fair. The show, however, went on because Mrs Mitterrand and French minister of culture, Mr Jacques Lang, turned up on the first night.

La Fura's theatre, more often than not, consists of noise, flashes of fire, wrestles in the mud, cascading water, lots of grunting and screaming and intertwined bodies. Two trailers have spent the better part of this year taking the La Fura's several happenings and its band of strolling players around Europe.

Els Comediants, a group of 30 actors who live together in a semi-monastic community, use a similar mix of mime, circus acts and dance with all manner of props to put their productions across and create audience reaction.

They, like their peers, are at the front edge of Catalonia's theatre and are treated with considerable indulgence by officialdom.

The main thrust of Mr Bru de Sala's department, however, aims at encouraging Catalonia's 300-odd amateur theatre companys who, in general, eschew happenings and concentrate on more conventional drama.

A singular Generalitat initiative has been to subsidise the design of a low cost, standard and highly adaptable theatre unit, seating up to a thousand, which it plans to install in as many as 70 Catalan towns, sharing the cost with the local municipality.

"It is an ambitious plan", says Mr Bru de Sala, "but for the Generalitat it is a first rate challenge."

Other local executives might not see it that way; by way of explanation, Mr Bru de Sala says that a nationalist government "has got to put the accent on identity and on culture".

Tom Burns

Tenor Jose Carreras has won his battle with leukaemia

Fairy-tale return of a great voice

IT IS entirely fitting that Barcelona should be the birthplace and beloved home of one of contemporary opera's greatest voices.

Jose Carreras' tenor has been described by critics as burnished, silvery, ringing and ardent. Three years ago it looked likely that those tones would be silenced forever, and possibly the life snuffed out, by the onset of leukaemia.

The story of Jose Carreras' recovery not only of his health, but of sufficient energy to return to the intensely demanding schedule of international opera, has fairy-tale qualities.

Just over a year after his physical collapse in July 1987, he took the stage in his favourite city, Barcelona, where before the Spanish king and queen he sang the lead role in the premier of Cristobal Colon by the composer Leonardo Balada.

Mr Carreras is so full of vitality and the zest for life that he is clearly not interested in talking about the past and the gloomy days of his serious ill-health.

"At the beginning there were two very different things. I have to be honest and say I did not think about singing again. I was fighting for my life. My career was something very distant from me in those moments. Then gradually as I felt that I might pull through, only then did I think about my voice and my career.

"Unconsciously I suppose I was always very concerned about my singing; I never allowed people to give me a full anaesthesia because of the damage that might have caused to my vocal chords. I had eight months of chemotherapy. It was like hell, I have to tell you. But it's part of the past and I don't dwell on it. It was part of the treatment and it was so successful that I am able to live a completely normal life in every sense, personal and professional, so I welcomed it."

Instead, what lights up his twinkling eyes is his new double-life; to the role of singer he has added that of president of a medical charity supporting leukaemia research.

He says that "after this very bad period in my life, between July 1987, when I was first diagnosed as having leukaemia, until July 1988, when I had the green light from the doctors to return to singing, I somehow felt I had a debt. I thought the best thing to try and repay this debt, in part, was to establish a foundation to help people with the same illness to try and recover. That was the first idea, the origin of what now is happening."

On his first return performance at an open-air concert in Barcelona on July 21 1988, some 60,000 fans – a few paying $1,250 for front-row seats – cheered him on, in the knowledge that they were contributing the first funds for the foundation he had set up for research into leukaemia.

"I am very happy with the way things are going with the foundation. I try to dedicate my talent and as much time to it as possible, as well as a lot of enthusiasm and energy.

Having struggled through a potentially fatal illness, has his life been much altered?

Jose Carreras is essentially modest about his abilities and his fortunate recovery. In his view, "after such a serious blow in your life – a 40 year old man, successful, so healthy up till then, with a wonderfully glamorous life, particularly if you see it from outside – of course afterwards you see things in a different light. But basically, you go back to the same mistakes. I must be very honest with you; my life has changed, but not that much. I don't believe that one day a person is black and the next white."

Leukaemia, ironically, did give him something which his jetset life did not usually permit – time to reflect.

"I had a lot of time to think during my illness, in a much more relaxing and quiet way, and maybe I grew closer to belief in something which, if I think about it rationally, I cannot say what it is. Thank God, I am not such a rational person, so I accept simply that I am getting closer every day to believing in something, something that you could call faith."

"Now I sing 40 performances a year when it once was around 100, which was too much. Now I have much more time, for myself, my personal life and the foundation as well, and my two children. No, they are not going to be opera singers, they are going to be normal"

Although Jose Carreras is inextricably linked to a world which recognises no frontiers, his heart remains Catalan.

"I was born in the city of Barcelona and I adore it. I don't think there is a city in the world like Barcelona. It means so many things, morally, spiritually, even politically. It means to belong to a land where, even with a great deal of repression, we have somehow managed to keep our identity as a people. We have our land so deep inside ourselves that it always gives us this kind of shelter, knowing that whenever you go back there that this land is going to welcome you with an incredible warmth."

Gary Mead

Alastair Muir

Carreras: 'I was fighting for my life'

MEDIA

Classy tabloid stresses quality

ANY NEW arrival in Spain would be forgiven, upon reading the bulk of the national press, for thinking the country was run by cigar puffing gangsters intent solely upon enriching themselves and on inflicting the maximum possible discomfort upon their subjects.

Apart from the occasional brilliance of El Pais in Madrid, Spain's biggest newspaper, one has to come to Barcelona to regularly read the truth about Spain, or as near the truth as can be written. There is in Barcelona a newspaper that manages to keep its distance; a haven from re-written press releases, whispered indiscretion, conjecture, rumour and outright lie. It has learned the hardest lesson of journalism – when not to write something.

This is La Vanguardia, the Rolls-Royce (and the oldest) of Spanish newspapers – weighty, stylish and imperious, and owned by the same family that founded it 109 years ago. For the newspaper junkie, it is a delight. The paper had a radical redesign last year, dropping its comforting broadsheet format in favour of tabloid. It could have been a disaster but its has, if anything, made it even classier.

Mr Juan Tapia, its editor, says La Vanguardia has picked up readers since the relaunch. "It was a scary decision", he says. "The last redesign was in the 1930s." About 215,000 people buy the paper every weekday, and at least an extra 100,000 on Sundays. Mr Tapia says circulation has risen 27,000 in the last three years.

That may sound modest but competition is tough. El Periodico, a racy colour daily launched about 10 years ago in Barcelona is now selling 180,000 copies a day.

La Vanguardia's strength, though, lies in its pandering to the rich and intelligent Catalan middle classes. "La Vanguardia is a Catalan and Catalanist newspaper", says Mr Tapia, "but people buy us because we are able to resist political pressure. We are the voice of the middle classes – the doctors, lawyers and small businessmen. These people want an orderly European country."

The formula works partly because Tapia and his predecessors have consistently tried to hire fine journalists, even if they cost a little more. La Vanguardia, says its editor, "looks for people want to inform, not to change the world".

Mr Javier de Godo, the Conde de Godó, the 100 per cent owner of the newspaper, is responsible for that. The fourth generation Godó to run La Vanguardia, he appears to be a proprietor in the old American, rather than more interventionist British, mode. Mr Tapia says they talk every week and the proprietor will sometimes "wonder" whether the paper might possibly pay a little more attention to this or that story.

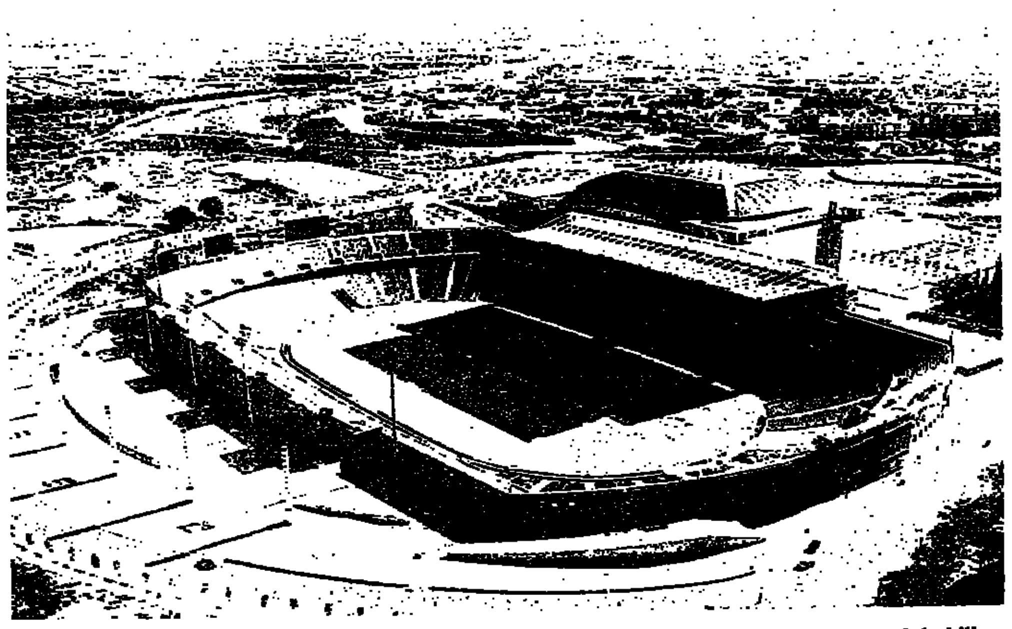
In return for a genuine love of the newspaper, most editors can live with that level of proprietorial intervention. The Godós also control Antena 3 Radio, one of Spain's biggest radio networks and a new private television channel, Antena 3 television. To no-one's surprise, the TV channel is struggling because it has refused to drop its rather lofty programming sights and go down market to the striptease-cum-quiz shows that Spaniards race home to watch.

La Vanguardia, meanwhile, has one serious problem of its own to solve – how to break out of Catalonia and become a truly national newspaper. A second new offset press is on order and, says the editor, it will be used to launch a "serious" drive after 1992.

About 90 per cent of circulation is in Catalonia and the editions that do get to Madrid and other regional capitals tend to be early ones which do not carry late-breaking news. But few media analysts doubt that if La Vanguardia were able to reach Madrid, Bilbao, Seville and Valencia with late editions – and local sections to replace Catalan news – it would be very competitive.

The Conde de Godó and his editor, meanwhile, will probably be hoping the nine Madrid daily newspapers keep trying to outscoop each other. That way they make mistakes, which is always good for a newspaper that does its homework.

Peter Bruce



In just over 18 months the Olympic flame will be lit in the refurbished stadium on Montjuic hill

Barcelona and the Olympic Games

City gets a face-lift

A VISITOR to Barcelona catches the Olympic spirit just as soon as he disembarks at the city's El Prat airport. Reaching the arrivals lounge can resemble clambering across a building site for El Prat is being overhauled at a cost of Pta26bn in preparation for the 1992 games.

Half-completed beltways cut swathes around Barcelona's suburbs and there are big works in progress throughout the inner city. "The Olympics," sighs one suffering resident. "First they dug up the street to put in telephone lines, then gasworkers dug it up again and now they are still digging it up to put in new drains."

A video that is screened to those who visit the city's main building site – the Olympic Village – makes a special point about the drains. Some 20 km of new sewers are being laid down in the old part of Barcelona at a cost of Pta18bn and the occasional flooding of this area will soon be a distant memory.

With just over 18 months to go before the flame is lighted in the gleamingly refurbished stadium that stands at the top of the Montjuic hill, the Olympic spirit means coming to terms with a succession of construction projects.

When it is all over, the Olympics will have meant a large face-lift for the city. Mr Josep Miquel Abad, the chief executive of the Barcelona '92 organising committee, makes no bones about it: "We never concealed the fact that the games are a legitimate pretext for doing in six years what would have taken 30 years."

It is part of Barcelona lore that the city needs a big international event every 40 or 50 years in order to propel the development of the metropolis. A "universal" exhibition in 1888 prompted the enlargement of the city with new residential areas on a grid-pattern and a second world fair held in 1928 was marked by the development of the Montjuic hill, the main site of the 1992 games.

Now, thanks to the Olympics, Barcelona is doubling its green zones with three new city parks and it is equiping itself with two new ring roads, with a coastal expressway and with a series of city centre street improvements that have a working budget of Pta95bn.

A further Pta50bn is being invested in renewing the city's telecommunications and this is money well spent. It can be extremely difficult to obtain an international line out of Barcelona at peak morning hours.

The prize exhibit of the new look Barcelona is the Olympic Village. It is located on a 6 km coastal strip near the city's northern exit that was the site of Spain's first railway in 1848 and later developed into an industrial wasteland that was as ugly as it was obsolete.

The focal point of the village is an area containing some 2,000 living units, which will become costly apartments when the athletes have departed. The village, set in a green zone, embraces a series of shopping malls, a convention centre, and two 44-storey edifices, one a hotel and the other an office block, which will undoubtably become Barcelona landmarks.

The village has a budget of Pta160bn and is considered the most important item of all the Olympic-linked investments. It is a development that rivals that of the London Docklands but it is a docklands on the Mediterranean and thus has several pluses. It boasts an Olympic harbour with ample mooring space and a succession of beaches, with a new sewage system, that will be cleaner than those of many Costa resorts.

Barcelona has a very fine Gothic quarter centred on its medieval Cathedral. It has turn of the century modernist architecture that has no parallel anywhere in its inventiveness. What it did not have, until the games, was what it had every right to expect: an up-to-date urban infrastructure and a Mediterranean sea front.

Ironically, out of the total Pta399bn investment in new buildings, communications and infrastructure that has been induced by the games, less than a quarter, Pta68bn, has been spent on sports facilities.

Most of the locations, including Montjuic's Olympic stadium which have undergone a considerable mutation, were in place for Barcelona has been a candidate for holding the games since the 1920's.

The only notable addition to the city's multiple athletic venues has been a magnificent indoor sports palace alongside the Montjuic stadium in what is called the Olympic ring. An example of the interest that the games have aroused is that nearly 300,000 Barcelona residents are estimated to have made the trip up the Montjuic hill to visit the new sports centre on the weekend it was opened to the public.

The indoor stadium will be used by the Olympic gymnasts but it has demonstrated its fitness for other uses on account of its superb acoustics. A recital by Mr Luciano Pavarotti was recently staged there and it proved memorable.

With the games, the city has obtained, in record time, some overdue investment in essential areas. It has gained the kind of exposure that no other event in the world can provide. There is more: if Mr Abad and the rest of his organising committee team have got there sums right, the games could make a profit.

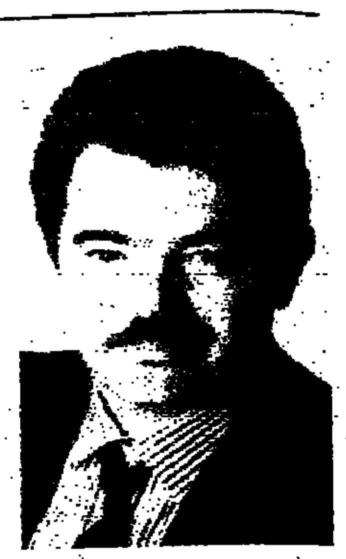
According to the committee's latest account the expenditure for organising and running the games levels out at Pta131.9bn. Income from television rights, which represent a third of the total income, sponsorships which account for 22 per cent of the total and merchandising, tickets and other items tops Pta132.2bn.

There is no better indicator of the fact that the Olympics means a growing business than the one concerning exclusive television rights. NBC won the contract to broadcast the games in the US having paid $401m for the privilege. Exclusive US rights for the Seoul games in 1988 were, at $302m, nearly a third cheaper.

Tom Burns,
Madrid

■ PROFILE: Pascual Maragall

A personal appeal



'A mayor for the Olympics'

"I'VE never voted socialist in my life," says a well-healed Barcelona hostess," but I will vote for Maragall. He deserves to be still mayor for the Olympics."

Mr Pascual Maragall, 44, brought the games to his home town but he says that he will not know until after next May's municipal elections whether he will be welcoming the athletes in 1992 as Barcelona's mayor and in his ex-officio role of the organising committee's chairman.

He is right to be publicly cautious. Socialist support fell by 50,000 votes in Barcelona when general elections were held last year and the shortfall was a particular embarrassment for Mr Maragall who, with a view to the municipal vote, had said the socialists could only afford to lose 20,000 voters.

But he knows that he is virtually 100 per cent certain to be returned as mayor. His own standing among the people of Barcelona, and the all-important Olympics linkage, should make up for the diminishing socialist vote in the big cities.

In a back-handed compliment Convergencia i Unio, (CiU), the conservative Catalan nationalists, have decided to field a low profile candidate in the race for the city hall.

They feared that their original choice, Mr Miguel Roca, the number two to Mr Jordi Pujol, Generalitat president, would be unable to unseat Mr Maragall.

Mssrs Pujol and Roca know better than anybody that the longstanding CiU voter who "wouldn't dream" of voting socialist, will make an exception where Barcelona's sitting mayor is concerned. This is in part because Mr Maragall has done more than anybody to maintain the Olympics momentum, and the games matter to Barcelona like nothing else does.

But it is also because Mr Maragall has a personal appeal that cuts across strict party boundaries. He has impeccable Catalan credentials even in the eyes of the most crusty nationalist. His grandfather, the poet and man of letters Joan Maragall, was a moving force behind the Catalan cultural renaissance at the end of the last century that paved the way for political nationalism.

He is a member by birthright of Catalonia's cultural elite, a group that is closely bound together by marriages and long friendships and which has cross fertilised with Barcelona's plutocrats. He is considered "one of us" to the season ticket holders of the Liceu opera house although, as a socialist, his political support rests more properly among the immigrant communities of Barcelona's industrial suburbs.

Socialism was attractive to Mr Maragall as it was to so many who were students in the 1960s.

He was a student who put in time at New York's New School and taught for a period at John Hopkins University in the US before returning home to the economics and politics faculty of the Barcelona campus. He was co-opted by the then emerging socialist party, which was prey to several factional splits, and was a natural choice for the party promotion.

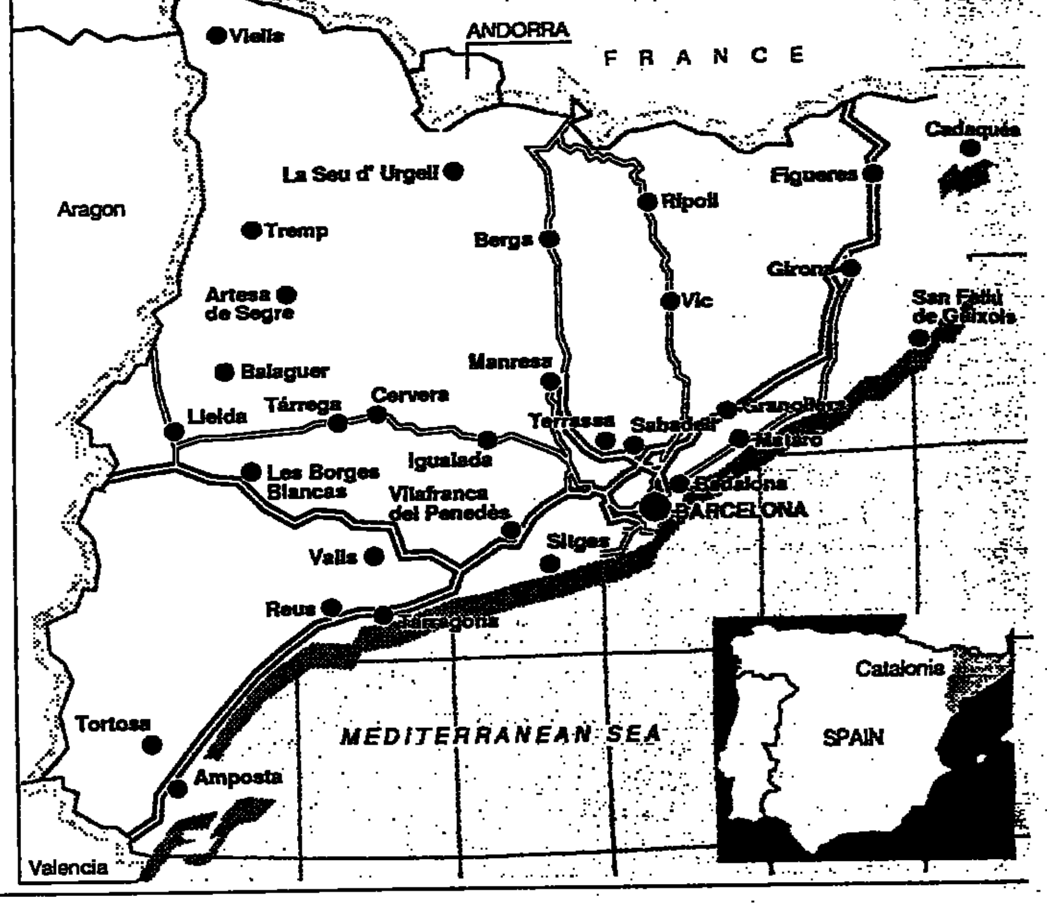
He has been mayor since 1982, when he took over from Mr Narcis Serra, who has spent the past eight years as minister of defence.

Mr Maragall has busied himself with the big city issues – to which he says "there are no clear solutions" – urban transport and the environment, crime and drugs, and affordable housing.

Mr Maragall's success or failure in dealing with what he disarmingly calls "perplexing problems" takes a backseat to the single-minded manner in which he first lobbied for the 1992 Olympics and then used the location of the games to trigger a face-lift for the city which will be his enduring monument.

Where will the personable Mr Maragall go after the games when he will have more than half of his career in public life still stretching out before him? The consensus view is that he will be the best socialist candidate to lead the assault on the Generalitat should Mr Jordi Pujol's nationalist charisma begin to lose its sparkle in the latter half of the 1990's.

TB



RECRUITMENT

JOBS: Executive searchers still claim senior managers' habits aren't shared by the 'very top'

Fresh light on how high-rankers change employers

IN the past few weeks the Jobs column has become convinced that the personal-approach recruitment method of executive search must have originated in Boston. The reason lies in readers' replies to my inquiry on August 15 whether top managers apply for jobs in response to advertisements.

The question was provoked by a claim that they do not. It was made separately by a dozen executive searchers, who had in turn been provoked by my earlier claim that the personal approach method isn't necessarily more effective than advertising for recruiting top managers as distinct from lower-ranked staff.

Over the next weeks 142 of you answered, including 116 senior managers all vouching that they would certainly respond to a job ad which tempted them provided they felt satisfied the offer was made in good faith.

The other 26 replies were from professional recruiters. Most use a mix of advertising and personal-approach, with nine confining themselves to search (none of them among the dozen who took me to task before). Although all 26 pronounced advertising effective in filling high-level posts, five of the nine searchers and one of the mixed variety insisted that what is commonly thought of as a "top" manager is in their terms a caste below.

For example, one of them wrote: "... advertisements carrying salary indicators up to well over the £100,000 mark could and do attract a sizeable response from those who would by any normal standard be regarded as falling into the top executive category." Even so, the same recruiter maintained that "the very top operators probably would not reply directly to an advertisement."

Hence my conviction that search must have originated in Boston, once famously described as:

The home of the bean
and the cod,
Where the Lowells talk
to the Cabots,
And the Cabots talk
only to God.

It would seem that, in the extended pecking order discerned by some headhunters, "very top operators" equate with the Cabots. Presumably they talk to each other as well as to the Almighty (which is not to deify executive searchers who, being at best intermediaries between one Cabot and another, are mere acolytes). That leaves the 116 managers who replied from five countries languishing as Lowells. But I at least am honoured that they should talk not just to their advert-averse superiors, but to me.

Most are directors, 24 of them with well known groups. And while none of the 17 chief executives was a household name, nearly half run operations with a turnover of £50m or more. Most have dealt with executive searchers, both as employers and as quarries, and many make trenchant comments on the experience.

To be fair, the bulk of their criticisms of the personal-approach method apply also to advertising. Besides its lax practitioners, each has its inherent flaws – one being that neither is fool-proof.

For instance, numerous of the 116 say searchers are blinkered, limiting the hunt to people doing very much the same job in the same industry, if not in a direct competitor. Recruitment through advertising-based consultants often has the same result. But in neither case is the consultant necessarily to blame. The culprit is usually the purblind employer who ultimately calls the shots.

Nevertheless, nearly two dozen make a charge that strikes me as applying solely to the personal-approach method. One puts it thus:

"Those approached by executive search are more likely to be individuals who devote (or over-devote) time to expanding their 'contacts'. This is not necessarily in the interests of the employing company. In my experience the true performance manager is too busy to do that."

Finance pay

FINALLY to the table alongside giving indicators of pay going-rates for senior staff in London's City banks.

The figures are drawn from the latest quarterly salary survey by Day Associates. Anyone wanting further details should contact Joe Clark at Suite 231, 75 Whitechapel Rd, London E1 1DU; tel 071-375 1397, fax 071-375 1723.

Michael Dixon

SALARIES, BONUSES AND COMPANY CARS IN CITY OF LONDON BANKING

Position	Lower quartile £	Median salary £	Upper quartile £	Average salary £	Avge bonus %	Coy car %	Avge price of car £
Treasury head, big bank	162,000	210,142	275,000	217,658	69.4	100	22,125
General manager, big	88,776	127,000	198,500	135,541	30.0	100	22,250
Capital markets head	90,700	118,455	175,000	122,722	25.0	100	21,250
General manager, medium	77,000	104,664	120,000	107,888	23.7	100	21,000
Corporate finance head	79,750	105,460	135,000	106,433	58.2	100	21,750
Eurobond trading head	72,000	97,500	103,560	96,175	17.8	100	17,750
Bond sales head	72,000	90,000	103,575	92,370	15.9	100	19,750
Equity trading head	66,000	98,250	129,750	97,821	19.3	100	18,650
Treasury head, medium	73,400	96,042	105,500	94,467	70.3	100	18,316
Cptl mkts swaps head	65,000	87,356	110,500	89,239	25.4	100	16,150
Head of research	62,250	85,250	130,000	89,925	14.3	70	19,750
Fund management director	67,770	85,781	110,000	84,991	27.5	100	19,250
Head of credit, bigger	74,000	100,866	121,732	97,877	14.6	100	21,275
General manager, small	49,147	81,000	105,000	78,382	15.4	100	20,000
Treasury head, small	57,200	76,500	86,889	75,318	30.7	95	16,305
Financial director	66,000	70,060	76,696	71,348	15.1	100	20,250
Chief fx dealer	55,500	69,800	82,000	70,311	43.7	95	17,345
Operations director	58,000	72,000	80,000	73,896	12.8	100	20,166
Head of credit, smaller	61,500	63,000	71,500	67,667	5.9	85	19,037
D-P director	45,000	56,750	62,700	57,182	15.3	95	17,375
Legal services head	39,171	57,010	70,150	57,753	8.4	80	18,250
Personnel director	48,131	58,194	74,177	58,154	13.5	100	19,125
Chief sterling dealer	41,125	46,775	50,000	47,123	14.9	80	13,500

BANKING FINANCE & GENERAL

هكذا من الأصل

TOP OPPORTUNITIES

SENIOR POSITIONS IN GENERAL MANAGEMENT

POLICE AUTHORITY FOR NORTHERN IRELAND

SECRETARY & CHIEF EXECUTIVE TO THE AUTHORITY

The Authority wishes to appoint a suitably qualified person to fill this important post.

The Authority is an independent statutory body responsible for the maintenance of an adequate and efficient police service in Northern Ireland. It has in its own employment some 3,000 civilian personnel (administrative, professional, technical, clerical and industrial).

It has an annual budget of approximately £500 millions.

The post commands a salary scale of £43,800 with further increments payable, subject to performance, up to a maximum of £50,900. The position is pensionable.

Detailed particulars, together with application form may be obtained on written request from Personnel Branch. Completed applications are to be returned to the Chairman by 19 December 1990.

5th Floor, River House, 48 High Street, BELFAST BT1 2DR Telephone Belfast 230111 Ext. 20218

The Authority seeks eligible candidates who meet the following criteria:-

1. A successful track record of positive achievement at senior management level either in private or public sector.
2. The ability to both manage and motivate staff, and to be responsible for the formulation of policy on a broad spectrum of administrative matters.
3. Possess flair, energy, and interpersonal and communicating skills, and be capable of working under pressure.
4. Have practical experience of finance and budgetary control.

Relevant academic or professional qualifications and/or previous experience in dealing with Government would be of added advantage.

It is expected that the successful candidate will be at least 40 years of age.

The Authority may decide to interview only those applicants who appear to them from the information available, to be the most suitable in terms of relevant experience and qualifications.

The Police Authority is an Equal Opportunity Employer and welcomes applications from men and women irrespective of their religion or disability.

GENERAL MANAGEMENT

Our client is a diverse, dynamic and rapidly expanding fully listed plc wishing to strengthen its management resource.

As such, they need to make a number of key appointments in the near future.

Candidates, in their early 40's, should have considerable marketing and general management experience supported by strong academic qualifications — M.B.A. etc.

The company is at an interesting stage in its development, which presents an ideal career opportunity for someone with drive, enthusiasm, and desire for excellence.

This maturity and experience will be reflected in the excellent package available from a large, national and highly successful company.

In the first instance, potential candidates should apply to the address below, enclosing a comprehensive c.v.

BARNABY & TARR RECRUITMENT
DIDSBURY LODGE HALL, 827 WILMSLOW ROAD, MANCHESTER M20 8RU

Marketing Director

Industrial Products

£60,000 + Bonus/Stock Options North

A significant new appointment for an International Marketing Director to lead a successful team with rapidly growing UK and international sales.

THE COMPANY

- Expanding, and profitable, subsidiary of major U.K.industrial group. Turnover exceeds £150m.
- Leading supplier of wide range of specialist industrial products.
- Well established marketing and sales team. Manufacturing base in UK and Europe. Strong commitment to product development.

THE POSITION

- Lead development of International marketing and sales strategy. Strong focus on pan European customer base.
- Manage team of 100. Report to Managing Director.
- Maintain close liaison with customers and with company manufacturing and product development functions.

QUALIFICATIONS

- Strong marketing skills from industry, preferably with international exposure. Line management experience.
- Science graduate, possibly with post graduate degree/consultancy experience. Aged 35-48.
- Numerate, strategic thinker with presence and clear interpersonal and leadership skills.

Please write, enclosing full cv, Ref LJ9938ft
54 Jermyn Street, London, SW1Y 6LX
071 - 493 6392

S N **MARKETING RECRUITMENT**

LONDON SLOUGH • BIRMINGHAM • MANCHESTER • BRISTOL • GLASGOW

ADVISOR ON EUROPEAN COMMUNITY AFFAIRS TO THE BARCLAYS BANK GROUP

In March 1991 the position of Advisor on European Community Affairs to the Barclays Bank Group becomes vacant, when, after seventeen years in the post, Dr. Tom Soper will retire.

Dr. Soper's successor will be based in London but must make frequent and lengthy trips to Community institutions. Contact with Government/institutions forms an integral part of the work. Responsibilities include close scrutiny and analysis of Community Directives and other legislation in their preparatory stages. This will require interpretation of Community treaties and policies, and vigilant examination of Community relations with the rest of the world.

Within the Bank, the Advisor will be accountable to those Senior Executives with responsibilities for European operations but will need to work closely with many other executives.

The successful candidate will have a thorough knowledge of community practices, with respect to both financial and non-financial areas. He or she will have a high standard of oral and written communication skills. Whilst professional law qualifications are not essential, the Advisor will be able to deal with legal matters confidently and efficiently.

Fluency in one or more European Community language in addition to English would be advantageous.

Terms and conditions of service will be by negotiation.

Please apply in writing to:

C S DUNCAN ESQ.
RESOURCES DIRECTOR, EUROPE,
BARCLAYS BANK PLC,
JOHNSON SMIRKE BUILDING,
4 ROYAL MINT COURT,
LONDON EC3N 4HH.

YOU'RE BETTER OFF TALKING TO BARCLAYS

CHIEF EXECUTIVE/CLERK'S DEPARTMENT

HEAD OF ECONOMIC SUPPORT SERVICES

Salary: Up to a maximum of £45,969 p.a.

The County Council is seeking an experienced manager capable of innovation and with entrepreneurial flair to fill this new senior post in the Department. The person appointed will be responsible to the Chief Executive/Clerk and the Deputy Clerk for heading up a number of the Department's functions concerned with the CountyCouncil's economic services. These include the County Council's training and industrial initiative through Lancashire County Enterprises Limited, the County Council's involvement, through the Department, with the European Economic Community, and the Department's functions in relation to Direct Service Organisations, Compulsory Competitive Tendering and the County Council's pursuit of Effectiveness, Efficiency and Economy.

The postholder will also provide guidance and support to a number of Satellite Departments including the County Analyst's and Trading Standards Departments and the Welfare Rights Service.

Whilst no particular professional qualification is required you are likely to be a graduate with an expertise in a specialism relevant to the public service. You will, in addition, need substantial management experience at a senior level in a large public organisation, preferably including local government experience, be a good communicator, have developed leadership skills and be numerate.

An attractive remuneration package is offered including Leased Car/Essential User Allowance, Telephone expenses and a Re-location package of up to £3,872 (payable in approved cases).

This post is politically restricted under the Local Government & Housing Act 1989.

Application form and details available from/returnable to Office Management Section, Chief Executive/ Clerk's Department, PO Box 78, Christ Church Precinct, County Hall, Preston PR1 8XJ quoting ref. No. 41/90/123

Closing date: 30th November, 1990

Lancashire County Council

An Equal Opportunities Employer welcoming applications from all sections of the community.

MANAGER

CABINET DE RECRUTEMENT INTERNAT L - PARIS

PLEASE DO NOT REPLY TO THIS ADVERTISEMENT

Important Cabinet de Recrutement International, déjà leader dans plusieurs pays, cherche à développer son réseau Nord Européen.

Bénéficiant de la confiance d'une clientèle déjà établie et tirant ses resources de ses filiales internationales, le Cabinet est bie placé pour augmenter ses parts de ma local.

Initialement specialisé dans le d a Finance, nous recherchons teur idéal, responsable du dév de ce nouveau secteur.

Le candidat, age ans, maitrisant parfaitement l glaise, devra faire preuve de ent d'interet et de determi diriger une équipe fortem

L'essentiel résid apacité à entretenir et développe de contacts du plus haut nive notre clientèle. Des connais le domaine de la Finance ou du nt constitueront un atout s re.

mération incluant un salaire substantiel, participation aux bénéfices, ainsi qu'un intéressement, ne constituera pas un facteur limitatif.

Les candidats intéressés sont priés d'envoyer leur C.V. à l'adresse indiquée ci-dessous. Pour toute information supplémentaire, veuillez nous contacter au numéro suivant: (33 1) 42 66 12 83. Nous vous assurons de garder un caractère confidentiel à votre démarche.

M. Dan Sheffet, Eurocabinet
71 Rue du Faubourg St Honore
F-75008 Paris

Appeared 6/6/90

24 replies 5 shortlisted

Successful applicant placed came from Paris.
Richard Parnell of Robert Walters Associates says
"The Financial Times has a good global reach, with an overall high quality response."

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

désire vous faire part d'un accord publicitaire avec LES ECHOS le quotidien de l'économie le plus important en France.

Une annonce dans le FINANCIAL TIMES et LES ECHOS augmentera de façon substantielle l'impact de votre message sur les cadres dirigeants en Europe.

Chaque semaine les annonces paraîtront dans les Echos le mardi et dans le Financial Times le mercredi (le vendredi dans l'Edition Internationale du Financial Times).

Pour de plus amples renseignements, veuillez contacter:

STEPHANIE SPRATT
071 873 4027

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

?ENTREPRENEUR?

Can you demonstrate a successful business track record in an entrepreneurial environment in a senior position?

Are you capable of handling a start-up venture?

If you have these qualities and are looking for a new challenge we are looking for a person to assist us in launching an exciting new marketing concept.

For further details call us on; 071 872 5632

BANKING FINANCE & GENERAL

Senior Management Opportunities In Major International Bank

Management Buy-Outs/ Development Capital

Our client is one of the largest banks in North America with an established international reputation. An opportunity has arisen to join its young and partnership-style Development Capital team with an established track record of structuring and investing in Management Buy-Outs in the UK and Europe. Owing to a planned expansion, a Director and an Associate Director are now required.

The Director will be involved in the initiation, structuring and negotiation of Management Buy-Outs and other Development Capital investments in Unquoted UK and European situations. She/he will contribute to policy definition and strategy, investment decisions, client relationships, marketing and investment in areas of Continental Europe.

The individual should have a proven track record of generating and converting investment opportunities in the UK Development Capital market. Specific European experience may also be useful. She/he is likely to be late twenties/early thirties, and a qualified Accountant or MBA.

As part of the same team, the Associate Director will be involved in the structuring and negotiation of investments in Management Buy-Outs and Unquoted Companies. Previous experience in this area is preferable but candidates from other backgrounds, including Corporate Finance, will be considered. The successful candidate is likely to be mid to late twenties with an accounting qualification or an MBA.

Salary and benefits, including bonus will be fully competitive and at the senior level may include a carried interest element.

Please apply with detailed curriculum vitae, quoting ref. 721, to Suzie Mumme who will forward it directly to the client.
Candidates should list on a covering letter any institutions to whom they do not wish their details to be forwarded.

76, Watling Street, London EC4M 9BJ

BBM ASSOCIATES

Tel: 071-248 3653 Fax: 071-248 2814

CONSULTANTS IN RECRUITMENT

The Top Opportunities Page

appears every Wednesday in the Financial Times.
For further information please contact
Elizabeth Arthur
071-873 3694

Stephanie Spratt
071-873 4027

ACCOUNTANCY COLUMN

EC fails to abolish small-company audit

By David Waller

THERE ARE 923,000 companies in the UK, and all of them have to be audited, no matter who owns them or how big they are. From time to time throughout the past six years, fierce arguments have arisen between those who want to get rid of the small company audit and those who want to keep it.

The debate was provoked by the European Commission's Fourth Company Law Directive, which was implemented in the UK law in 1984. The directive gave member states the option to abolish the audit requirement for small and medium-sized businesses, thereby lifting a significant burden on business.

For two years now the commission has been developing legislation designed to turn that option into an obligation, requiring member states to abolish the audit for small and medium enterprises (SMEs in Brussels jargon). But last week, the commission's proposals suffered a conclusive defeat at the hands of the council of ministers.

It is pretty clear why companies with external shareholders need to be audited: so that the owners of the business get a third-party assessment of what management has done with it. But when companies are owned and managed by the same people, as most small companies are, there is no good reason why an audit should be mandatory.

There are plenty of reasons why the managers and owners of small companies may find it in their interest to retain an auditor voluntarily: auditors ought to be a source of general business advice and their presence may deter employees from fraud.

Moreover, there would be no point in keeping the mandatory requirement for the sake of those people who use audited accounts, such as bankers and tax inspectors. These people know enough not to trust audited accounts when making lending decisions or assessing a company's tax liability, and would not suffer.

Auditors ought to be a source of general business advice and may deter fraud

In spite of a formal commitment to freeing small businessmen from red tape, the UK government baulked at the idea of abolishing the small company audit.

It gave way to pressure on all sides: from the Treasury, the Inland Revenue and the lobbyists employed by the Chartered Association of Certified Accountants, all of whom had different reasons for maintaining the status quo.

The Inland Revenue was worried about fraud; the Treasury was concerned about the likely impact on tax revenues; and the Chartered Association was worried about the effect on its members, many of whom make a living out of auditing small businesses. The Institute of Chartered Accountants in England and Wales took the opposite view. It knew that it would have to monitor audit firms (under the terms of the Companies Act 1989) and recognised that it would be a lot easier to monitor the 250 firms which audit listed companies than the total complement of 10,000 chartered accountancy firms which audit the UK's 923,000 companies.

Last week's vote by the ministers was a "colossal defeat for the commission," according to one official close to the negotiations. It will please the UK government, irk hundreds of thousands of small businessmen across Europe, and keep tens of thousands of auditors happy. Meanwhile, the ICAEW is in the unfortunate position of having to monitor all the UK's 10,000 firms.

*****

There is no single language of business in Europe, only a babble of different dialects. With 1992 looming, this is a highly unsatisfactory state of affairs: different accounting standards distort investment decisions and impede the flow of capital from one member state to another.

The European Commission has long recognised that its programme of company law directives, having successfully tackled the basics of harmonisation, was inadequate to deal with the nuances of accounting. In January this year it held a conference of experts from all the member states and a new institution was born.

The Accounting Advisory Forum consists of government representatives, standards-setting bodies, professional bodies, trade unionists, bankers, stock-market officials and financial analysts. It was supposed to hold its first meeting next week but will not now meet until January next year.

When it first became clear that the commission was taking an interest in these matters, finance directors grew worried at the thought that this meant a new tier of European accounting standards on top of international standards (those promulgated by the International Accounting Standards Committee) and purely national rules such as those issued by the now defunct Accounting Standards Committee in the UK.

The European Commission will take an interest in other sensitive issues

This threat appeared to recede after the January conference, but should not be discounted over the longer term. One of the important items on the agenda for the forum's first meeting is accounting for foreign currency translation. In the absence – so far – of European monetary union, the commission takes the view that harmonisation here is essential.

It is likely that the commission will take an interest in other sensitive issues, not least accounting for goodwill and for mergers and acquisitions. Whatever concrete recommendations it comes up with will, in effect, constitute a third tier of standards for companies to comply with.

More generally, the commission is worried that international accounting is drifting inexorably towards the US Generally Accepted Accounting Principles (GAAP), which it is inclined to believe are insufficiently flexible for European companies. Finance directors beware: in time, the commission may wish to establish a comprehensive portfolio of accounting rules to rival those of the US.

*****

Meanwhile, the commission-sponsored study of the structure of the market for audit and consultancy services in the European Community has some weeks to run: National Economic Research Associates (NERA), the consultancy firm handling the project, is aiming to wind up its research by the end of the year.

The results of this study are likely to be published and will make interesting reading, even if the findings do not prompt the commission to take radical steps to unscramble the oligopoly of six big firms.

Those with strong views on competition within the audit and consultancy market should contact the senior consultant in charge of the project: Mr Derek Ridyard, NERA, 15 Stratford Place, London W1N 9AF.

ACCOUNTANCY APPOINTMENTS

هكذا من الأجل

Lothian Health Board
Putting patients first

Director of Finance

Edinburgh

Lothian Health Board is the second largest Health Authority in Scotland, employing some 20,000 people and with an annual revenue budget in excess of £300M. Working in close collaboration with the major Medical School at Edinburgh University, it is at the forefront of medical advances in this Country.

Significant organisational change includes the appointment of Executive Directors who will be responsible for the implementation and control of the radical new approach to the delivery of health care, which comes into effect from April 1991.

The Director of Finance will be a key Board Member, playing a vital role in the change process, both at Board level and within the new management structure.

£40,000 plus performance related element

Emphasis initially will be on re-organising the finance function to meet the needs of the new structure and contributing to policy and strategic planning.

This is a *challenging opportunity for a qualified* accountant with a record of success at or near Board level in large, complex organisations, with well developed financial control and reporting systems. This may have been in either the public or private sector and, should have encompassed a period of major change.

Salary: In excess of £40,000 plus performance related pay.

Please write in complete confidence to Ken Paterson as adviser to the Board: Ernst & Young Search and Selection, 17 Abercromby Place, Edinburgh, EH3 6LT.

SEARCH AND SELECTION

Ernst & Young

COMPUTER SYSTEMS FOR BUSINESS LTD

Slough,Bucks To £35k plus car etc.
Require a qualified accountant to act as Financial Controller
We are a young and dynamic systems house seeking a strong personality with a view to early board and equity roles. Please send CV, and earliest start date to

Richard Hall at CSB Ltd.,
Grenville Court, Britwell Road
Burnham, Bucks

APPOINTMENTS
ADVERTISING

appears every
Wednesday Thursday
& Friday
(in the International Edition only.)

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Financial Controller

Exeter

£30,000 + Car + Share Options

Our client is a successful multi-site retailing operation, turnover approaching £120m, and a key part of a quoted UK plc. The company has an *excellent presence within its market* sector and after recent restructuring is now ready for further growth from a sound base.

As a continuing part of positive developments achieved so far the new appointment of a Financial Controller is to be made who will report to and work closely with the Finance Director. Key objectives will include the day to day management of a sizeable financial team, the upgrade of financial controls and working practices within the business and further developments on computerisation.

Candidates should be qualified accountants, aged indicator 28-34, with strong man management and communication skills, the ability to motivate and work well in a fast moving environment and have the strength of *personality to effect change. This is an* excellent opportunity to be a key member of a lively management team.

Please write or telephone enclosing full curriculum vitae quoting ref: 438 to:

Philip Cartwright FCMA.
97 Jermyn Street,
London SW1Y 6JE
Tel: 071-839 4572

Cartwright Hopkins
FINANCIAL SELECTION AND SEARCH

SEC/US Reporting Experience?

Major International Bank

City ***c. £35,000 + Car + Mortgage Subsidy***

This is an ideal entry point into a leading international bank with offices in 50 countries and diverse interests in the UK and throughout the Far East and Africa. With widescale changes designed to create a true meritocracy, they are meeting the future with confidence and can now offer a wide range of performance-related career prospects.

A new opportunity exists to start up and manage a small team within the Group Finance Division, preparing, analysing and interpreting SEC information as part of its intention to raise capital in the US market. Your unique and wide-ranging brief will include assisting with the preparation of public prospecti and reports to the SEC, combined with senior level liaison in both the UK and the US.

A qualified ACA, with a thorough knowledge of both US reporting and consolidated accounting, you will probably have 2-5 years' PQE, either in a banking environment, a leading firm of chartered accountants or a US-owned subsidiary operating in the UK. Bright, enthusiastic and self-motivated, you must be a good team player with sound business acumen, man-management experience and effective report writing skills.

This is a high profile role, offering full support and the possibility of international travel. The bank offers excellent long-term prospects, groupwide, based entirely upon ability, potential and commitment.

This position is urgent and we would urge applicants to telephone or submit their career details without delay to ANDREW LIVESEY at Alderwick Peachell & Partners, 125 High Holborn, London WC1V 6QA. Tel: 071-404 3155. Fax: 071-404 0140.

Alderwick and Peachell
PARTNERS LTD

RANK XEROX

Senior Role in Finance

Buckinghamshire ***c£32,000+Car+Benefits***

Rank Xerox is a market leader in the development and manufacture of Office Systems and as such we are very conscious of the need for strategic plans which will maintain our market leading position well into the future.

To further develop our financial strategies, we now seek a qualified Accountant either ACA, CIMA or ACCA with around 10 years experience, some of which should have been gained in a manufacturing environment and should include line management experience. You will be based in our offices in Marlow but may be required to work on assignment in either a U.K. or continental plant for periods of up to one year. This is a high profile position with further potential to develop in our professional Accounting function.

This opportunity offers excellent career prospects to an individual who can demonstrate a successful track record and who is confident, articulate, self motivated and, above all, results oriented. Our benefits package includes BUPA, free life assurance, choice of contributory pension schemes, career break scheme and relocation assistance where appropriate.

Please send a full C.V. quoting ref A/M/GF.11.90 to: Kim Taylor, Human Resources, Rank Xerox Limited, Hampden House, High Street, Aylesbury, Bucks HP20 1RE.

Rank Xerox is an Equal Opportunity Employer.

Hoggett Bowers

Finance Director

Home Furnishing
Thames Valley, ***To £50,000, Bonus, Car, Benefits***

This is an outstanding opportunity to join the management team of this brand leader in fine home furnishings with its own manufacturing resources. The role will play a significant part in the continuing growth of the company which generates £85m sales worldwide, has a record of steadily increasing profits and a strong sales and marketing emphasis. Reporting to the managing director, you will be expected to contribute to the commercial decision making process as well as run the finance function expertly. Your role will be to direct the management of the treasury function, all financial reporting, computer systems and develop the interactive on-line business management system. As an F.C.A., aged over 38, you will be as articulate as you are numerate with strong technical and interpersonal skills. The successful candidate will have a flexible approach with the personality to interact easily with the current team. This position provides a superb challenge and an excellent remuneration package.

J.H. Wootton, **Hoggett Bowers plc,** *1/2 Hanover Street.*
LONDON, *W1R 9WB*, **071-734 6852, Fax: 071-734 3738.** *Ref: H40005/FT.*

Finance Director

Precision Engineering - Processing and Distribution
Midlands, ***c £45,000, Executive Benefits***

This very successful plc has a current turnover in excess of £20m, and is one of the UK's leading players in a particular niche market. Both profits and turnover have doubled in the last four years, and the company is now poised for further significant growth based on increasing market penetration, expanding exports, and acquisitions. *A finance director of the highest calibre is now* required to guide the company through this exciting development stage. Probably aged 35-45 and professionally qualified, you will need to demonstrate substantial experience, preferably in engineering or manufacturing, at controller or director level. Key responsibilities will include the implementation of tight financial controls, the monitoring and reviewing of results, and advising the managing director on all financial matters. A very active participation in the key business and strategic decisions of the company is envisaged. Personal characteristics must include vision, integrity and ambition. The excellent fringe benefits package will include share options, bonus scheme, a Rover Sterling company car or equivalent, and relocation assistance where appropriate.

M. Stein, **Hoggett Bowers plc,** *1/2 Hanover Street.*
LONDON, *W1R 9WB*, **071-734 6852, Fax: 071-734 3738.** *Ref: H17095/FT.*

These positions are open to male or female candidates. Please send c.v. or telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, ST. ALBANS, SHEFFIELD, WINDSOR and EUROPE

BUTLER

A fresh start with solid foundations

Chief Accountant

South Midlands ***£Competitive + Car + Benefits***

Butler (1843) Ltd is a wholly-owned subsidiary of Fina plc, part of a leading global energy group. Handling oil distribution to a wide variety of customers-commercial, agricultural and domestic- this profitable company is now entering a period of extensive change and expansion, with plans to relocate their head office function from Bristol to the South Midlands in mid-1991.

This is a 'green-field' opportunity within a stable organisation, offering the chance to make a significant individual impact at the heart of a new management structure. Working closely with corporate and line management alike, you will be developing and streamlining accounting systems to control the diverse locations of Butler's operations, tailoring these to group requirements and building your own team.

Combining strategic and hands-on responsibilities, the role calls for previous exposure to both computerised accounting systems and the running of a multi-location operation. A qualified accountant, aged 33-40, you'll need relevant commercial experience, ideally in oil or distribution, together with sound man-management and interpersonal skills.

The position will be based in the South Midlands area, although you will be expected to undertake some initial groundwork in Bristol. Besides a competitive salary, commensurate with your experience, you can expect a wide range of large-company benefits, including a car, contributory pension scheme and staff share plan.

To apply, please write with full CV and current salary details quoting Ref EB/90/063 to Eleanor Boyd, Personnel Department, Fina plc, Fina House, Ashley Avenue, Epsom, Surrey KT18 5AD.

FINA
AUTHORISED DISTRIBUTOR

Newly/Recently Qualified Accountant

First Step Into Banking

City ***£27-30,000 + Car + Mortgage***

Our client, a prestigious UK merchant banking Group, is acknowledged as a market leader in the provision of corporate financial services and international capital markets products.

In this newly created role, reporting directly to the Financial Controller, you will provide the all-important interface between the Dealing Room and the Finance Function. Key elements of your role will include financial and product profitability analysis, performance monitoring and ad-hoc investigations into capital markets products.

You should be a qualified ACA/ACMA/ACCA, aged 25-28, and seeking an entry point into this fast moving sector, where an applicant with strong technical and interpersonal skills will achieve rapid progression to a line management role.

For further details please contact STEPHEN BOWIE on 071 404 3155 or write to him at Alderwick Peachell and Partners, 125 High Holborn, London WC1V 6QA. Fax: 071-404 0140.

Alderwick and Peachell
PARTNERS LTD

New Appointment

Financial Controller

£35,000-£40,000 + car
Birmingham

We are recruiting on behalf of a highly respected, specialist manufacturing company, part of an international group whose reputation has been built on outstanding quality, innovative design and an uncompromising attitude toward customer satisfaction.

The European companies are moving towards a combined organisation, in order to give the group greater strength within the single European market. This has created a new position of Financial Controller, within the UK company, to undertake a critical role within the finance function.

Reporting to the Finance Director and controlling a staff of thirty, the successful candidate will be a qualified accountant, with around ten years industrial experience since qualification, who will take responsibility for all financial control matters, planning, budgetary control and the interpretation of financial results.

Technical expertise is important, but this must be matched by real business awareness and exceptional interpersonal skills, necessary to build business relationships with non-financial directors and management in the UK company and with financial colleagues in Europe.

The importance with which this position is regarded is reflected in the excellent package which will include a contributory pension, family private health insurance and relocation expenses where appropriate. Prospects for advancement within the UK company are excellent in the medium term and this is a first class opportunity for a commercially minded and ambitious accountant to gain real career and personal progression.

Candidates should write including full career and salary details quoting reference MCS/8896 to: Jim Mitchell
Executive Selection Division
Price Waterhouse
Management Consultants
Livery House
169 Edmund Street,
Birmingham B3 2JB

Price Waterhouse

PQE

SOUTH LONDON c£32,000 + car

Treasury Accountant

An opportunity has arisen for a commercially minded, lively Accountant to become responsible for the financial control of the Treasury operations for this substantial Banking division of a £multimillion plc. The priority task is to develop a system of reporting, particularly the reporting of currency exposures. Position offers good career opportunities within the group and benefits include profit share. Ref: 61890

Contact the Manager, or the PQE specialist at 28 High Street, Bromley
081-290 6688
Opposite Bromley South BR Station

WOKING £30,000

Qualified Accountant

A major industrial organisation with worldwide operations seeks Newly Qualified ACA to work within the auditing department. Working with a team, you will be responsible for financial and operational auditing, a third of the time working off-site around the U.K. Excellent career prospects to senior mainstream accounting role if desired, as well as potential overseas travel. Knowledge of European language useful. Ref: 222904

Contact the Manager, 3 Harland House, 26 Commercial Way, Woking
0483 771445
Opposite BHS
Or the PQE Specialist advising on this appointment on 0483 69151

CLIENTS!
When you entrust your vacancies to us, we pay for the advertising.
Phone our PQE Specialists on 071-489 9997
(24 hour answering service)

REED... accountancy

CHIEF ACCOUNTANT

City Partnership **Package c£35,000**

An ideal opportunity has arisen for a young 27 to 32 year old chartered accountant to move from the accountancy profession into one of the city based commercial law firms which features in London's "top 50".

Reporting to the Partnership Secretary, the successful candidate will be responsible for managing a staff of 8 alongside the Credit Controller in a practice which intends to enjoy significant growth over the next 3 to 4 years.

If you have the experience, interpersonal skills and understanding of how to respond to the pressures of running an accounts department within a professional practice culture, together with the ability to manage staff other than fee-earners, we would like to hear from you.

Please forward a comprehensive curriculum vitae including details of remuneration and a daytime telephone number quoting Ref. 177 or telephone Peter Willingham for a confidential discussion.

Kidsons Impey Search & Selection Ltd, 29 Pall Mall London SW1Y 5LP Tel: 071-321 0336 Fax: 071-976 1116
A Member of International Search Group

KIDSONS · IMPEY

Finance Director

. . . a full commercial role

N Yorkshire **to £35,000 + car**

With a substantial capital investment plan and a view to acquisition our client – an autonomous business within a major plc – is undergoing strategic change from a commodity base into a vertically integrated added value business.

Reporting to the Managing Director you will be a key player in driving the business forward while managing an accounting function incorporating financial and management accounting, information systems and audit. In addition you will be expected to act as Company Secretary.

A professionally qualified accountant – probably aged 35 plus – you will have substantial experience gained in a multi-site business organised on a business centre basis and be able to demonstrate the stature and credibility to make an immediate contribution.

Salary for discussion as indicated, the comprehensive benefits package includes assistance with relocation expenses where appropriate.

Please write – in confidence – with full details. Ian Day, Ref 65022, MSL International (UK) Limited, Ebor Court, Westgate, Leeds, LS1 4ND.

MSL International

Career opportunities for Investigative Accountants

£27,000 – £36,000
plus significant banking benefits
Major Bank — City based

Our client is looking for ambitious, qualified accountants at two managerial levels, to undertake investigations and audits covering a wide range of banking activities, including foreign exchange, money markets, swaps, wholesale and retail banking operations and systems.

You must have strong analytical skills and commercial sense, as well as banking or financial services experience and the ability to communicate well with senior management. You are likely to have been qualified for between one and three years. For the more senior position, you will have held a managerial role for at least a year in a major accountancy firm or international corporation, and will have extensive investigative experience.

Your success in this dynamic audit department is likely to lead, after a period of about two years, to your promotion either within the department or into a front line management role in banking, operations or finance.

During this period you will gain an in-depth appreciation of the banking operations in the UK and overseas, covering a wide range of banking products, operational processing and related computer system development.

These opportunities for audit managers have arisen as a result of recent promotions, which are in line with the policy that the audit department is an ideal point of entry into the business for high calibre accountants.

If you are looking for a move which offers wide experience and career development, please send or fax your CV in confidence to Heather Thomas quoting reference F/1117.

Applications will be forwarded direct to our client. Please list those organisations to whom your details should not be submitted.

Price Waterhouse
Management Consultants
Executive Selection Division
Milton Gate, 1 Moor Lane
London EC2Y 9PB
Fax: 071-403 5265
Telephone: 071-939 6341

Price Waterhouse

Financial Controller

£35,000 + BONUS + CAR + BENEFITS

THE COMPANY

- A young, entrepreneurial, privately-owned FMCG group recently noted for launch of men's toiletry range called CELSIUS.
- Annual sales over £10 million from several distinct, market-interrelated contracting, warehousing exportation and distribution businesses.

THE ROLE

New position, reporting to the Group Finance Director and a key member of a small senior management team, responsible for:

- Leadership, development and integration of accounting functions including control and reporting.
- Development and implementation of computerised financial systems.
- Career development and training of the accounting team.
- Corporate reporting, tax matters, foreign currency management, insurance and liaison with external auditors.

THE CANDIDATE

- Qualified accountant with 5-10 years PQE in fast moving high volume companies, preferably in manufacturing or distribution of personal care/food and beverage products.
- Strong team management and first-class communication skills.
- "Hands on" approach to deadlines and project evaluation.

Candidates should write in confidence, enclosing a comprehensive curriculum vitae to: Steven Altneu, Recruitment Consultant.

LORNAMEAD LIMITED
LORNAMEAD HOUSE, 1/5 NEWINGTON CAUSEWAY
KINGS PLACE, LONDON SE1 6ED
(TELEPHONE: 071 377 5000 FAX: 071 377 9292)

APPOINTMENTS WANTED

CZECHOSLOVAKIA
Bilingual American with MBA looking for a position with a company interested in Czechoslovakia. Excellent Business and Political connections.
Tel: 303 790 0334 (US)
Fax: 303 790 2772 (US)

Assistant Treasurer

to £30,000 + Car

As Assistant Treasurer you will take on a key position in the brand new treasury team of this truly international business.

Focused on the needs of the organisation's substantial European operations you will join the European Treasurer in building innovative, cost-effective and operationally viable systems across the full spectrum of international treasury activity. A high level of personal contribution and responsibility is expected within the areas of FX and sterling funds management, funds procurement and banking relationships, investment planning and control and the varied issues of intra-group trading.

An ambitious young treasury professional you will bring confidence and flair to this unusually demanding role. Well rounded practical experience in a progressive treasury environment, supported by an ACT and/or accounting qualification, will provide you with the initial skill set required. Location: The City.

Please reply in confidence, quoting Ref: 134/MM

Margaret Mitchell FCCA,
Grace & Templar, Equatoria Court,
36 Galena Road,
London W6 0LT.
Tel: 081 741 2122 Fax: 081 741 0512

GRACE & TEMPLAR
Financial & Management Recruitment Consultants

Finance Director

East Anglia **£35,000 package + car + benefits**

Our client is one of the most technologically advanced companies in its field, supplying a range of systems and equipment to the defence industry, both here and overseas. Itself a profitable subsidiary of a public company renowned for its engineering excellence, the company operates from a well established site in Norwich, with two smaller plants elsewhere in the UK.

Reporting to the Managing Director, the post is responsible for the full range of financial and management accounting activities, while initial priorities will be the introduction of improved costing and project controls, development of new forecasting techniques and further enhancement of information systems. As a key member of the management team, the person appointed will have a significant role in formulating business strategy and seizing commercial opportunities.

Candidates should be qualified accountants with a wide experience of finance, costing and computer systems, and ideally exposure to negotiating contracts with MOD. Well-developed analytical and communication skills should be complemented by a target-oriented management style, originality and the skills to establish board room credibility at both company and group level.

The comprehensive package includes a fully expensed quality car, realistic bonus opportunity, health insurance and relocation where necessary.

Please reply in confidence with full career, personal and salary details quoting reference R200 to: Derran Sewell, Ernst & Young Search and Selection, Lowry House, 17 Marble Street, Manchester M2 3AW.

Ernst & Young

SEARCH AND SELECTION

HOTEL FINANCIAL CONTROLLER CARIBBEAN

Exceptional opportunity for a qualified Financial Controller with hotel experience in a newly expanded luxury hotel project on an English-speaking Caribbean Island. Salary Range - £25,000/£30,000

Please write with full CV to:
Caroline Hill, Suite 525
29/30 Warwick Street,
London W1R 5RD

GROUP FINANCIAL CONTROLLER FROM 30K PLUS BENEFITS

Required by independent food group based in London reporting directly to Executive Chairman. Turnover approx. £8m. In addition to all normal financial functions, he/she will be expected to play a major role in improving administrative efficiency across the Group and make a creative input in its affairs. The successful candidate will be a results orientated qualified accountant and will ideally have held a similar post in an entrepreneurial organisation.

Write with full C.V., including salary history, to the Chairman, Box A303, Financial Times, One Southwark Bridge, London SE1 9HL

FINANCIAL CONTROLLER

Central London — **To £40,000 + benefits**

Our client is the prestigious London Institute comprising five colleges which offer the largest provision of art, design and related studies in Europe, with over 20,000 students. The revenue budget exceeds £35 million and the property portfolio is valued at around £100 million, making the Institute one of the country's biggest Higher Education Corporations.

Reporting to the Director of Resources, the Financial Controller will be responsible for managing and developing the finance function, covering all the Institute's activities from education provision and property management to the entrepreneurial business initiatives of the growing profit-making subsidiary. The role is broad, covering statutory and management reporting, budgeting and cash flow management, with a strong focus on the continued development of sophisticated information systems.

In addition to the direct control of ten staff, there will be extensive liaison with the colleges, and there is considerable scope to influence the Institute's commercial strategy which forms an integral part of its development.

Candidates will be qualified accountants with a strong background in industry and commerce. Self-confidence and interpersonal skills are essential to gain credibility with the colleges, combined with the self-motivation to develop this role to its full potential.

Please write, in confidence, with full career and salary details, day and evening telephone numbers to Bernadette Laffey, quoting reference L6416.

KPMG Peat Marwick Selection & Search

70 Fleet Street, London EC4Y 1EU

BENSON GROUP plc

require

TWO FINANCE DIRECTOR (DESIGNATES) FOR TWO MAJOR SUBSIDIARIES circa £25,000

Having undergone substantial reorganisation with a new executive board, the group is now poised for an exciting period of expansion, and requires 2 Finance Director (Designates) to exercise strict financial control over 2 major subsidiaries at an important stage of their developments. The companies are:

Benson Heating Limited -	Manufacturers of oil and gas fired heaters, mainly for industrial applications. Based in the lovely rural setting of Knighton, Powys on the English/Welsh border.
Wolverhampton Pressings Limited -	Manufacturers of pressings and rubber mouldings for a wide range of blue chip customers. Based in Wolverhampton.

Applicants must be qualified accountants possessing all the necessary technical skills and experience to control the whole financial function and be able to demonstrate a high degree of commitment.

Salary and other rewards commensurate with the importance of these roles, will be by negotiation around £25,000 p.a.

Please send a full curriculum vitae indicating which position you are interested in to,
R. Green F.C.C.A. A.C.M.A., Group Finance Director, Benson Group plc,
Ludlow Road, Knighton, Powys, LD7 1LP.

FINANCIAL CONTROLLER

Major Multinational Group

CIMA or equivalent — **26-32**

North East — **c.£24,000, Bonus & Car**

Internal promotion has created this outstanding career opportunity for a young qualified accountant to make a significant contribution to the financial management of this profitable £25 million turnover autonomous subsidiary of a large international group, operating in *multi sector world markets*. Reporting to the Finance Director and highly influential at board level, you will be responsible for the entire financial cost and management accounting function. Specific responsibilities will include line management, periodic review and reporting, business planning and analysis and the development of sophisticated management and *product cost information systems*.

An ambitious qualified accountant, with considerable presence, natural leadership and strong man management skills, you must have experience in the development and application of advanced manufacturing costing systems. This is an ideal opportunity for a talented individual seeking their first senior management appointment who has the ability to fully utilise this experience and progress well beyond this *initial role* with this *multi-national* organisation.

Interested candidates should submit a comprehensive career resumé quoting Reference 11133-FT. The confidentiality of all approaches is strictly guaranteed.

Varley Walker & Partners, 182 Portland Road, Newcastle-upon-Tyne NE2 1DJ.
Tel. 091-221 0101 Fax: 091-221 0842

Varley-Walker
Human Resource Consultants

HIGHFIELD INTERNATIONAL

Helping you map the way ahead.

EXECUTIVE & MANAGEMENT SELECTION

FINANCIAL CONTROLLER DIRECTOR DESIGNATE

West London: To £35,000 + Car + Benefits

A FAST GROWING COMPANY ENGAGED IN THE DESIGN, *MARKETING AND DISTRIBUTION OF BRANDED ENTERTAINMENT* PRODUCTS SEEKS A FINANCIAL CONTROLLER TO JOIN THE MANAGEMENT TEAM.

REPORTING TO THE MANAGING DIRECTOR YOU WILL CONTRIBUTE TO THE STRATEGIC DEVELOPMENT OF THE COMPANY AND ENSURE EFFECTIVE FINANCIAL MANAGEMENT AND CONTROL. KEY TASKS INCLUDE THE SOURCING AND INSTALLATION OF COMPUTER BASED SYSTEMS, FOREIGN CURRENCY MANAGEMENT AND ACQUISITION STUDIES.

YOU WILL BE A QUALIFIED ACCOUNTANT WITH COMMERCIAL ACUMEN, IDEALLY AGED 30 - 35 WITH INTERNATIONAL EXPERIENCE. STRONG CONCEPTUAL SKILLS AND A SHIRT SLEEVES, HANDS-ON APPROACH ARE ESSENTIAL CHARACTERISTICS.

YOUR SUCCESS WILL LEAD TO THE POSITION OF FINANCIAL *DIRECTOR WITH THE OPPORTUNITY TO ACQUIRE AN EQUITY* STAKE IN THE COMPANY.

PLEASE WRITE IN CONFIDENCE ENCLOSING FULL CAREER DETAILS TO ASPY BHATHENA AT:

HIGHFIELD INTERNATIONAL,
HIGHFIELD HOUSE, 1, LONDON ROAD, NEWBURY, BERKSHIRE, RG13 2JL
TELEPHONE: (0635) 33923 FAX: (0635) 38837

Commercial Financial Controller

Graduate Accountant

Norwich

£25 - £30,000 + Car + Benefits

An experienced professional, aged under 40, is sought by the UK division of an established publishing and communications group.

Reporting to the M.D., the role will encompass:

★ Formulation of the strategic plan and annual budget.
★ Coordination of all accounting and control functions for the UK Direct Marketing Group.
★ Preparation and interpretation of financial and analytical reports.
★ Implementation of financial management policies in conjunction with US group requirements.
★ Management of external commercial and distribution services.

The UK division is fast growing and comprises direct marketing and sales activities using the most up-to-date *methods* and techniques. It is in turn part of a leading US group which generates revenues of *almost $200m.*

Applicants should be capable professionals with strong commercial and interpersonal skills. In the short term, you will be based in Hertfordshire before relocating to the Division's new site at Norwich. Career prospects are excellent.

To discuss this outstanding opportunity in detail, *please call Guy Matthews, Consultant* – Northern Home Counties Division (081-363 5284 out of hours) or write briefly enclosing a CV quoting GHM/363.

personally recommended

EXECUTIVE CONNECTIONS

COMMERCE AND INDUSTRY

43 EAGLE STREET, LONDON WC1R 4AP. TEL. 071 242 8103. FAX. 071 831 4571

Group Financial Director

Nottingham — **c£37,500 + car + Bonus**

Our client, a growing privately owned group of companies involved in sheet metal and steel processing businesses with a turnover of about £7 million, is looking to recruit a Group Financial Director.

Reporting to the Group Chief Executive, the appointment will take responsibility for the development of the Group and subsidiary companies' finance, accounting and computing activities to provide a cost effective service to the operational units. A strong participation in the commercial development of the Group is a key task.

Applicants for the position should be qualified accountants aged 30-40 with a minimum of three years management experience, preferably gained in a manufacturing or processing environment. Experience of computing techniques and business planning and forecasting is essential.

Please write in confidence, enclosing a curriculum vitae with salary details, quoting reference 1849 to:

Peter Childs, Director
Pannell Kerr Forster Associates
New Garden House
78 Hatton Garden
London EC1N 8JA
Interviews will take place in Nottingham

Pannell Kerr Forster Associates
MANAGEMENT CONSULTANTS

Wandsworth Health Authority

Financial Controller

c. £27,000 + Performance Related Pay

Following the promotion of the current postholder, we now wish to appoint a Financial Controller who will be responsible for the efficient operation of *the Authority's financial accounting function. You will manage a* Department of 20 staff.

This responsibility arises at an exciting time, both for Wandsworth Health Authority with a revenue budget of £125m, and for the health *service in general. The Government's White Paper will involve you in* taking the service into the future. Locally you will play a key role in *implementing a new financial ledger software system "GL-Millenium" - the* District is introducing in 1991.

To take on such an important role you'll be reporting to the Deputy Director of Finance - you'll need to be a qualified accountant, preferably *with at least two years NHS experience. Good communication skills,* familiarity with computerised accounting systems and an innovative *approach to your work are essential.*

Our benefits package includes a generous relocation package where *appropriate, and an attractive car lease arrangement. Performance-related* pay could increase your basic salary by up to 20% over a period of five years. *This is an excellent opportunity for career development.*

If this is the kind of challenge you want to take on, contact Tom Breen, Deputy Director of Finance on 081-672 1255, ext 52443 for an informal discussion.

For an information pack and application form, contact the District Personnel Department, Wandsworth Health Authority, St. George's Hospital, Blackshaw Road, Tooting, London SW17 0RT. Tel: 081-784 2608, quoting ref. R1/41.

Closing date: 7th December 1990

Financial Accountant

Lloyd's of London Press Limited, the world's pre-eminent international maritime publisher, is seeking a commercially aware qualified accountant to join them in their Colchester offices.

Reporting to the Group Finance Controller, you will be responsible for the preparation of all monthly management and financial accounts. Whilst not mandatory, experience of preparing consolidated statutory accounts would be an asset.

The successful applicant will have at least three years post-qualification experience, preferably within a commercial environment. An excellent communicator, you will be able to relate directly to executive management. The Company has recently installed state of the art E.I.S. software, and you will play a key role in the implementation of this system.

Remuneration package includes an attractive salary, car, non-contributory pension and subsidised restaurant.

Please reply enclosing a full C.V. to:-
Mrs. L.A. Hilliard, Personnel Officer,
Lloyd's of London Press Ltd.,
Collwyn House, Sheepen Place, Colchester, Essex CO3 3LP.

LLP
Lloyd's of London Press

CAREER IN INVESTMENT BANKING
NEWLY QUALIFIED EDP AUDIT

CITY — **TO £40,000 + CAR**

International investment banking and asset management group offer exceptional career opportunity in Computer Audit. Liaising at director level you will be advising on systems reviews and development. The recommendations have significant impact on the business and as such the bank considers this a high profile role. Substantial training in securities, investment banking, asset management and a range of computer sytems will be given.

Educated to degree level, the successful applicant will need to be a newly qualified Chartered Accountant or an experienced computer auditor with a background in investment banking or securities.

Reply in strictest confidence to:
Amanda Jowers
on 081 877 1121,
Accountancy Opportunities,
6th Floor,
73 Upper Richmond Road,
London SW15 2SZ

ACCOUNTANCY OPPORTUNITIES

FINANCIAL MANAGER

A multi-national company involved in International Trade, Business Development and Consulting require a Finance Manager for their Middle East and African operations. The position will involve monitoring Documentary Credit Transactions, Funds Management, Supervising of Expenditure Control and promotion of UK exports. The person appointed to this senior position will be expected to have not less than ten years directly relevant experience and detailed knowledge of the business practises of the regions involved. Fluency in English and Arabic is essential.

Please apply in writing to Box A290 Financial Times, One Southwark Bridge, London SE1 9HL

Bringing out the best in people and systems

West London — **c.£33,500+Car+Benefits**

This is a rare opportunity to influence the groupwide activities of a major British FMCG organisation boasting an impressive record of product success and strategic expansion.

As Accounting Control *Manager*, you will be co-ordinating the financial procedures of a nationwide Sales and Distribution network through Branch Accountants. Your broad brief will include everything from the on-going enhancement of operating standards to the groundwork for a key systems development project in the near future. The role will hinge on establishing effective working relationships, leading by example and developing personnel to maximise their own potential. A qualified accountant with experience of a fast-moving operational environment, you must be able to demonstrate the professional credibility and interpersonal flair to inspire confidence at all levels.

For anyone with these abilities, and the willingness to take on a limited amount of UK-wide travel, there are genuine prospects for career advancement, together with many large-company benefits including a quality car, non-contributory pension, BUPA and relocation expenses, where appropriate. Write with full CV and daytime telephone number to Patrick Donnelly, quoting ref: FT/074

PD Consultants
MANAGEMENT · SELECTION
314/316 Vauxhall Bridge Road, London SW1V 1AA. Tel: 071-828 2273

هكذا من الأصل